

In the opinion of Baker & Daniels, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Series 2003 D Bonds (as hereinafter defined) is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003 D Bonds for federal income tax purposes. Such excludability is conditioned on continuing compliance by the Bond Bank and the Series 2003 D Qualified Entity (each as defined herein) with certain tax covenants described herein. In the opinion of Bond Counsel, under existing law, interest on the Series 2003 D Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana inheritance tax and the Indiana financial institutions tax. See "TAX MATTERS" herein and Appendix C.

\$27,515,000
INDIANA BOND BANK
Special Program Bonds, Series 2003 D
(Columbus Learning Center Project)

Dated: Date of Delivery

Due: As shown on the inside cover

The Indiana Bond Bank Special Program Bonds, Series 2003 D (Columbus Learning Center Project) (the "Series 2003 D Bonds") will initially be dated as of the date of their delivery, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside front cover. The Series 2003 D Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2003 D Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2003 D Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2003 D Bonds. Interest on the Series 2003 D Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2004. The principal of, and interest on the Series 2003 D Bonds will be paid directly to DTC by Fifth Third Bank, Indiana, as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2003 D Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2003 D Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described herein under "THE SERIES 2003 D BONDS-Book-Entry-Only System."

The Series 2003 D Bonds are issued by the Indiana Bond Bank (the "Bond Bank") for the principal purposes of (1) providing funds for the purchase of securities of the Series 2003 D Qualified Entity as defined and described herein; (2) paying all costs related to the issuance of the Series 2003 D Bonds, including paying the premiums for a financial guaranty insurance policy and debt service reserve fund surety bond to be issued by MBIA Insurance Corporation (the "Series 2003 D Bond Insurer"); and (3) paying capitalized interest on the Series 2003 D Bonds through and including February 1, 2006; all as more fully described in this Official Statement under "PLAN OF FINANCING" and "APPLICATION OF PROCEEDS OF THE SERIES 2003 D BONDS."

Certain maturities of the Series 2003 D Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under "THE SERIES 2003 D BONDS — Redemption."

The Series 2003 D Bonds and the interest payable thereon are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture. The Series 2003 D Bonds and the interest payable thereon do not constitute a debt, liability or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the Series 2003 D Qualified Entity, under the constitution and laws of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the Series 2003 D Qualified Entity. The source of payment of, and security for, the Series 2003 D Bonds and the interest payable thereon are more fully described herein. The Bond Bank has no taxing power.

The scheduled payment of principal of and interest on the Series 2003 D Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2003 D Bonds by MBIA Insurance Corporation (the "Series 2003 D Bond Insurer"). See "BOND INSURANCE" herein.



(A detailed maturity schedule is set forth on the inside cover)

The Series 2003 D Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Baker & Daniels, Indianapolis, Indiana, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed on for the Bond Bank by its general counsel, Barnes & Thornburg, Indianapolis, Indiana, for the State of Indiana by its Disclosure Counsel, Krieg DeVault LLP, Indianapolis, Indiana and for the Underwriters by their counsel, Bingham McHale LLP, Indianapolis, Indiana. It is expected that the Series 2003 D Bonds will be available for delivery to DTC on or about June 25, 2003.



Fifth Third Securities, Inc.

This cover page contains information for reference only and is not a summary of this issue. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

Dated: June 19, 2003

Maturity Schedule
\$27,515,000
Indiana Bond Bank
Special Program Bonds, Series 2003 D
(Columbus Learning Center Project)

Serial Bonds

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Price</u>
August 1, 2009	\$480,000.00	3.00%	103.384%
February 1, 2010	\$495,000.00	3.25	103.302
August 1, 2010	\$625,000.00	3.25	103.530
February 1, 2011	\$635,000.00	4.00	107.240
August 1, 2011	\$650,000.00	4.00	107.663
February 1, 2012	\$660,000.00	4.00	106.980
August 1, 2012	\$675,000.00	4.00	107.332
February 1, 2013	\$690,000.00	4.00	106.565
August 1, 2013	\$700,000.00	4.00	106.855

Term Bonds

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Price</u>
August 1, 2014	\$1,450,000.00	5.00%	113.669%
August 1, 2015	1,525,000.00	5.00	112.033
August 1, 2016	1,600,000.00	5.00	110.514
August 1, 2017	1,680,000.00	5.00	109.456
August 1, 2018	1,770,000.00	5.00	108.584
August 1, 2019	1,855,000.00	5.00	107.721
August 1, 2020	1,950,000.00	5.00	107.121
August 1, 2021	2,045,000.00	5.00	106.356
August 1, 2022	2,155,000.00	5.00	105.681
August 1, 2023	2,260,000.00	5.00	105.095
February 1, 2025	3,615,000.00	5.00	104.348

INDIANA BOND BANK

Board of Directors

Tim Berry, Chairman, Ex Officio
Clark H. Byrum, Vice Chairman
Charles W. Phillips
Russell Breeden, III
C. Kurt Zorn
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Officer of the Bond Bank

Dan Huge, Executive Director

Trustee

Fifth Third Bank, Indiana

Indiana Bond Bank General Counsel

Barnes & Thornburg
Indianapolis, Indiana

Bond Counsel

Baker & Daniels
Indianapolis, Indiana

Financial Advisor

Crowe Chizek and Company LLC
Indianapolis, Indiana

No dealer, broker, salesperson or other person has been authorized by the Bond Bank, the Series 2003 D Qualified Entity or by the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2003 D Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003 D Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 D BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2003 D BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOND BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE SERIES 2003 D BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
\$27,515,000
Indiana Bond Bank
Special Program Bonds, Series 2003 D
(Columbus Learning Center Project)

INTRODUCTION

Authorization of the Series 2003 D Bonds

The purpose of this Official Statement, including the cover page, the inside cover page, the other preliminary pages and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its \$27,515,000 aggregate principal amount of Special Program Bonds, Series 2003 D (the "Series 2003 D Bonds"). The Series 2003 D Bonds are authorized by Resolutions adopted by the Board of Directors of the Bond Bank on April 8, 2003 and May 13, 2003 (together, the "Resolutions") and are issued pursuant to the provisions of a Trust Indenture, dated as of June 1, 2003, between the Bond Bank and the Trustee (as hereinafter defined) (the "Indenture"), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5-1, (as amended from time to time, the "Act"). Fifth Third Bank, Indiana is the trustee, registrar and paying agent (the "Trustee") under the Indenture.

Use of Proceeds of the Series 2003 D Bonds

The proceeds from the sale of the Series 2003 D Bonds will be used to provide funds to (a) purchase the Series 2003 D Qualified Obligations described in this Official Statement (the "Series 2003 D Qualified Obligations"), (b) pay capitalized interest on the Series 2003 D Bonds through and including February 1, 2006 and (c) pay all of the Costs of Issuance (as defined in Appendix E) of the Series 2003 D Bonds, including the underwriters' discount and the premiums for a financial guaranty insurance policy and a debt service reserve fund surety bond to be issued by MBIA Insurance Corporation (the "Series 2003 D Bond Insurer"). See "PLAN OF FINANCING" and "APPLICATION OF PROCEEDS OF THE SERIES 2003 D BONDS."

The Project; Source of Payments on the Series 2003 D Obligations

The Series 2003 D Qualified Obligations are being issued principally to provide funds to pay the costs of the acquisition, construction and installation of a multi-purpose educational facility to be known as the Columbus Learning Center (the "Project"). The Project will be predominately used by the three largest higher education institutions in the State of Indiana, The Trustees of Indiana University, The Trustees of Purdue University and Ivy Tech State College (collectively, the "Participating Entities") to provide educational, training and workforce development programs offered by divisions of the Participating Entities at their adjacent regional campuses in Columbus, Indiana. Rental payments for such use of the Project, which will constitute the principal source of repayment of the Series 2003 D Qualified Obligations, will be made solely from biennial appropriations made by the Indiana General Assembly. Such payments will be made by the Indiana Department of Administration (the "DOA"), on behalf of the Participating Entities.

The Indiana Bond Bank

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State of Indiana (the "State") for the public purposes set out in the Act. The Bond Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power. Pursuant to the Act, the purpose of the Bond Bank is to assist political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, as defined in the Act and any organizations with members that are an individual qualified entity through programs of purchasing the Bonds or evidences of indebtedness of such qualified entity or leases or certificates or other evidences of participation in lessor's interests in or rights under leases with such qualified entity, all of which are payable from taxes or from revenues, rates,

charges or assessments or from the proceeds of funding or refunding bonds, bonds or evidences of indebtedness, leases, or certificates or other evidences of participation in leases with a qualified entity and which secure the bonds issued by the Bond Bank. A qualified entity can include, but is not limited to, such entities as all State universities, cities, towns, counties, school corporations, library corporations and not-for-profit corporations and associations which lease facilities to such entities.

Series 2003 D Bonds Are Limited Obligations

The Bonds and the interest payable thereon are limited obligations of the Bond Bank payable solely out of and secured by a pledge of certain revenues as defined below and funds of the Bond Bank pledged for payment under the Indenture. The Bonds and the interest payable thereon do not constitute a debt, liability or loan of the credit of the State or any political subdivision of the State, including the Series 2003 D Qualified Entity (as defined in Appendix E), under the constitution of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the Series 2003 D Qualified Entity. The sources of payment and security for the Bonds are further described in this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." THE BOND BANK HAS NO TAXING POWER.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Summaries of certain provisions of the Indenture and definitions of some of the capitalized words and terms used in this Official Statement are set forth in Appendix D and Appendix E, respectively. Terms not defined herein shall have the respective meanings ascribed thereto in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Series 2003 D Qualified Entity may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

THE SERIES 2003 D BONDS

General Description

The Series 2003 D Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2003 D Bonds will be dated as of the date of their delivery.

Interest on the Series 2003 D Bonds will be payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2004 (each an "Interest Payment Date"). The Series 2003 D Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. If a Series 2003 D Bond is authenticated on or prior to January 15, 2004, it shall bear interest from the date of its delivery. Each Series 2003 D Bond authenticated after January 15, 2004, shall bear interest from the most recent Interest Payment Date to which interest has been paid or the date of authentication of such Series 2003 D Bond unless such Series 2003 D Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2003 D Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2003 D Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 2003 D Bonds. Purchases of beneficial interests from DTC in the Series 2003 D Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2003 D Bonds payments of the principal of and interest on the Series 2003 D Bonds will be made directly by the Trustee by wire transfer in same day funds to Cede & Co., as

nominee for DTC. Disbursement of such payments to the participants of DTC (the “DTC Participants”) will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2003 D Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See “THE SERIES 2003 D BONDS -- Book-Entry-Only System.”

If DTC or its nominee is not the registered owner of the Series 2003 D Bonds, principal of and premium, if any, on all of the Series 2003 D Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2003 D Bonds, when due and payable, will be paid by check dated the due date mailed by the Trustee one business day prior to the due date (or, in the case of an owner of Series 2003 D Bonds in an aggregate principal amount of at least \$1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Trustee not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner) to the persons in whose names such Series 2003 D Bonds are registered, at their addresses as they appear on the registration books maintained by the Trustee at the close of business on the Record Date immediately prior to such Interest Payment Date.

Except as provided under “THE SERIES 2003 D BONDS -- Book-Entry-Only System,” in all cases in which the privilege of exchanging or transferring Series 2003 D Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2003 D Bonds in accordance with the provisions of the Indenture. The Series 2003 D Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2003 D Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2003 D Bonds, the Bond Bank or the Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a Series 2003 D Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such Series 2003 D Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2003 D Bonds maturing on or after February 1, 2014 are subject to redemption prior to maturity on or after August 1, 2013 in whole or in part on any date as selected by the Bond Bank, at a redemption price equal to the principal amount of each Series 2003 D Bond to be redeemed, plus accrued and unpaid interest to the redemption date, and without any redemption premium.

Mandatory Sinking Fund Redemption. The Series 2003 D Bonds (or any portions thereof in integral multiples of \$5,000 each) maturing on August 1, 2014, and on August 1 each year thereafter through and including 2023, and on February 1, 2025 (the “Term Bonds”), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such Term Bond being redeemed, plus accrued and unpaid interest on February 1 of each year from 2014 through and including 2024 and on August 1, 2024 as shown in the following tables:

Term Bonds Due August 1, 2014

<u>Date</u>	<u>Principal Amount</u>
February 1, 2014	\$715,000
August 1, 2014	\$735,000

Term Bonds Due August 1, 2015

<u>Date</u>	<u>Principal Amount</u>
February 1, 2015	\$755,000
August 1, 2015	\$770,000

Term Bonds Due August 1, 2016

<u>Date</u>	<u>Principal Amount</u>
February 1, 2016	\$790,000
August 1, 2016	\$810,000

Term Bonds Due August 1, 2017

<u>Date</u>	<u>Principal Amount</u>
February 1, 2017	\$830,000
August 1, 2017	\$850,000

Term Bonds Due August 1, 2018

<u>Date</u>	<u>Principal Amount</u>
February 1, 2018	\$875,000
August 1, 2018	\$895,000

Term Bonds Due August 1, 2019

<u>Date</u>	<u>Principal Amount</u>
February 1, 2019	\$915,000
August 1, 2019	\$940,000

Term Bonds Due August 1, 2020

<u>Date</u>	<u>Principal Amount</u>
February 1, 2020	\$965,000
August 1, 2020	\$985,000

Term Bonds Due August 1, 2021

<u>Date</u>	<u>Principal Amount</u>
February 1, 2021	\$1,010,000
August 1, 2021	\$1,035,000

Term Bonds Due August 1, 2022

<u>Date</u>	<u>Principal Amount</u>
February 1, 2022	\$1,065,000
August 1, 2022	\$1,090,000

Term Bonds Due August 1, 2023

<u>Date</u>	<u>Principal Amount</u>
February 1, 2023	\$1,115,000
August 1, 2023	\$1,145,000

Term Bonds Due February 1, 2025

<u>Date</u>	<u>Principal Amount</u>
February 1, 2024	\$1,175,000
August 1, 2024	\$1,205,000
February 1, 2025	\$1,235,000

Under the Indenture, selection of Term Bonds to be redeemed will be made by lot by the Trustee. In accordance with DTC's standard practices and its agreement with the Bond Bank, DTC and the DTC Participants will make this selection so long as the Series 2003 D Bonds are in book-entry form. The principal amount of Term Bonds to be redeemed on each date set forth above will be subject to reduction by the principal amount of any such Term Bonds of the same maturity which, not less than forty-five (45) days prior to a sinking fund redemption date, have been theretofore surrendered to or purchased by the Trustee for cancellation and canceled, all in accordance with the Indenture. The principal amount of any Term Bonds so surrendered and canceled in excess of the principal amount scheduled for redemption in any one year will be credited against future redemption obligations and the principal amounts of Term Bonds subject to sinking fund redemption at such times will be accordingly reduced.

Cash Flow Certificate. Prior to any optional redemption of any Series 2003 D Bonds, the Bond Bank will be required under the Indenture to deliver or to cause to be delivered to the Trustee a Cash Flow Certificate (as defined in Appendix E) to the effect that, after giving effect to such redemption, Revenues (as defined in Appendix E) expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses (as defined in Appendix E), if any.

Notice of Redemption. In the case of redemption of the Series 2003 D Bonds, notice of the call for any such redemption identifying the Series 2003 D Bonds, or portions of fully registered Series 2003 D Bonds, to be redeemed and the date and place of redemption will be given by mailing a copy of the redemption notice by registered or certified mail not less than thirty (30) days nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of the Series 2003 D Bonds to be redeemed at the address shown on the registration books of the Trustee. Failure to give such notice by mailing, or any defect thereof with respect to any Series 2003 D Bonds, shall not affect the validity of any proceedings for the redemption of any other Series 2003 D Bonds. Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Series 2003 D Bonds so called for redemption, and that if such funds are not available, such redemption will be cancelled by written notice to the owners of the Series 2003 D Bonds called for redemption in the same manner as the original redemption notice was mailed. All Series 2003 D Bonds so called for redemption shall cease to bear interest on the specified redemption date, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, provided funds for their redemption are on deposit at the place of payment at that time.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Series 2003 D Bonds called, together with accrued interest on the Series 2003 D Bonds to the redemption date. After the redemption date, if prior notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Series 2003 D Bonds that have been called for redemption.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003 D Bonds. The Series 2003 D Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2003 D Bond certificate will be issued for each maturity of the Series 2003 D Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over eighty-five countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies and Clearing Corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2003 D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 D Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2003 D Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 D Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003 D Bonds, except in the event that use of the book-entry system for the Series 2003 D Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 D Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 D Bonds with DTC and their registration in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 D Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2003 D Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003 D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003 D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2003 D Bond documents. For example, Beneficial Owners of Series 2003 D Bonds may wish to ascertain that the nominee holding the Series 2003 D Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2003 D Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003 D Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2003 D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The principal and interest payments on the Series 2003 D Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Bond Bank or the Trustee, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case

with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2003 D Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2003 D Bond certificates will be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2003 D Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2003 D Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2003 D Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2003 D Bonds and to transfer the ownership of each of the Series 2003 D Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2003 D Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2003 D Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Series 2003 D Bonds will be issued under and secured by the Indenture. The principal of, and interest on any and all of the Series 2003 D Bonds, together with any Additional Bonds (as hereafter defined), including Refunding Bonds (as hereafter defined), that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2003 D Bonds (collectively, the “Bonds”), are payable from the Revenues (as defined in Appendix E) pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority.

Neither the faith and credit nor taxing power of the State of Indiana (the “State”) or any political subdivision thereof, including the Series 2003 D Qualified Entity, is pledged to the payment of the principal of or interest on any of the Bonds. The Bonds and the interest payable thereon are not a debt, liability, loan of the credit of the State or any political subdivision thereof, including the Series 2003 D Qualified Entity, under the constitution and laws of the State. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act and the Indenture. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment of and security for, the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Qualified Obligations, which will be purchased by the Bond Bank and delivered to the Trustee pursuant to a Qualified Entity Purchase Agreement dated June 19, 2003, between the Bond Bank and the Series 2003 D Qualified Entity (the “Purchase Agreement”), and all principal and interest payments made or required to be made on the Qualified Obligations (the “Qualified Obligation Payments”), as described therein. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the funds and accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund); and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, including Revenues, to the

extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2003 D Bonds under the Indenture and such Qualified Obligations and the Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The Qualified Obligation Payments with respect to the Series 2003 D Qualified Obligations have been structured as of the date of issuance of the Series 2003 D Bonds to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Series 2003 D Bonds when due.

Provisions for Payment of the Series 2003 D Qualified Obligations

The principal of and interest on the Series 2003 D Qualified Obligations will be payable primarily from semiannual rental payments to be made by the DOA, on behalf of the Participating Entities, subject to appropriation by the Indiana General Assembly. Such rentals are payable on January 15 and July 15 of each year, commencing July 15, 2006. The rental payments from the DOA will be made to a nonprofit management corporation (the "Management Corporation") that will act as master tenant of the Project pursuant to the terms of a sublease agreement more particularly described in Appendix B hereto. In turn, the Management Corporation will enter into a master lease agreement that will provide for payment to the Series 2003 D Qualified Entity of amounts necessary to pay debt service on the Series 2003 D Qualified Obligations, as further described below and in Appendix B. The Management Corporation will be responsible for the day-to-day operations of the Project and all maintenance and repair of the Project.

Each appropriation made by the Indiana General Assembly and each DOA rental payment, in addition to providing sufficient funds to pay debt service on the Series 2003 D Qualified Obligations, is to include a component to cover (i) the routine operation and maintenance of the Project including, without limitation, lease or other costs of equipping the Project with appropriate computer and other technology equipment necessary for the Participating Entities to provide the programs intended for the Project; and (ii) the establishment of and, as needed, the restoration of a repair and replacement fund to be accumulated over time in an amount up to \$5,000,000 to cover significant capital replacements and improvements to the Project.

The master lease agreement with respect to the Project will be a "net" lease between the Management Corporation and the owner of the land upon which the Project is to be located, the governing body of a department of the Series 2003 D Qualified Entity. The portion of the rental payments to be made by the DOA under the sublease agreement that is to be applied to debt service payments on the Series 2003 D Qualified Obligations will flow through such master lease agreement for deposit to a payment fund established for payment of the principal of and interest on the Series 2003 D Qualified Obligations. Notwithstanding the foregoing, such rental payment component may be transferred directly by DOA to the Trustee, in lieu of payment to the Management Corporation under the sublease agreement.

The Series 2003 D Qualified Obligations are being issued pursuant to Indiana Code 8-22-2, as amended (the "Qualified Obligations Act"). Pursuant to the Qualified Obligations Act, the Series 2003 D Qualified Obligations are special, limited revenue obligations payable solely from the lease rental payments received under the master lease agreement, which are anticipated to consist of the rental payments made by the DOA from appropriations by the Indiana General Assembly. The Series 2003 D Qualified Obligations will not constitute a general or moral obligation or indebtedness of the Series 2003 D Qualified Entity, any department, agency, board, commission or other entity associated with the Series 2003 D Qualified Entity, any Participating Entity or the Management Corporation under the Constitution or laws of the State, but will be payable solely from the revenues generated by the Project, primarily the rental payments to be made by the DOA from appropriations by the Indiana General Assembly. In addition, the master lease agreement is a "net" lease, and neither the Series 2003 D Qualified Entity nor any department, agency, board, commission or other entity associated with the Series 2003 D Qualified Entity shall have any obligation or duty to operate, maintain or repair the Project.

For a more detailed description of the Series 2003 D Qualified Entity, the Project and the sources of payment for the Series 2003 D Qualified Obligations, see Appendix B, "THE SERIES 2003 D QUALIFIED ENTITY, THE PROJECT AND THE SERIES 2003 D QUALIFIED OBLIGATIONS."

State Appropriation Mechanism

The payment of the rentals by the DOA will be subject to and dependent upon funds having been appropriated by the Indiana General Assembly and being available for such purpose. In addition, the DOA's obligations to pay rentals are conditioned upon actual receipt by the DOA of moneys appropriated by the General Assembly for such purpose. There is and can be under Indiana law no requirement that the General Assembly make an appropriation to DOA for payment of lease rentals with respect to any Fiscal Year. If the General Assembly fails to make such an appropriation, the DOA may be unable to pay rentals coming due and, consequently, the Series 2003 D Qualified Entity may be unable to pay when due the principal of and interest on the Series 2003 D Qualified Obligations and the Bond Bank may be unable to pay when due the principal of and interest on the Series 2003 D Bonds. See Appendix B, "THE SERIES 2003 D QUALIFIED ENTITY, THE PROJECT AND THE SERIES 2003 D QUALIFIED OBLIGATIONS."

In accordance with the constitution and laws of the State, the Indiana General Assembly meets for one day in November for organizational matters and then reconvenes in January. In every odd-numbered year, the Indiana General Assembly adjourns not later than April 29 and is to adopt a biennial budget and to make appropriations for the biennium commencing on July 1 of such year. In even-numbered years, the Indiana General Assembly adjourns not later than March 14 and may make supplemental appropriations at such time. The DOA will agree in the sublease agreement to use its best efforts to cause the Indiana General Assembly to appropriate sufficient funds to make all required rental payments to be made by the DOA. However, neither the DOA, the Series 2003 D Qualified Entity, the Trustee, the Management Corporation nor any holder of any Series 2003 D Bonds may legally compel funds to be appropriated by the Indiana General Assembly or to be made available for the purpose of paying such Lease rentals. Upon default by the DOA in making required rental payments, however, the Series 2003 D Qualified Entity has the right to cause the Management Corporation and the Participating Entities to vacate the leased premises.

Appendix A contains more detailed information concerning State finances, including indebtedness, and the State budget and appropriations process. See also "RISKS TO OWNERS OF THE SERIES 2003 D BONDS."

Enforcement of the Series 2003 D Qualified Obligations

As owner of the Series 2003 D Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by the Series 2003 D Qualified Entity. The Act provides that upon the sale and the delivery of the Series 2003 D Qualified Obligation to the Bond Bank, the Series 2003 D Qualified Entity will be deemed to have agreed that all statutory defenses to nonpayment are waived in the event that the Series 2003 D Qualified Entity fails to pay principal of or interest on such Series 2003 D Qualified Obligation when due.

The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances, and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the defaulting Series 2003 D Qualified Entity.

Further, the Series 2003 D Qualified Entity has agreed under the Purchase Agreement to report to the Bond Bank on its compliance with certain covenants which the Series 2003 D Qualified Entity has made regarding various actions and conditions necessary to preserve the tax exempt status of interest paid on the Qualified Obligations. See "TAX MATTERS." The Bond Bank has also determined to consult with the Series 2003 D Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Series 2003 D Qualified Entity to preserve the exclusion of the interest on the Series 2003 D Bonds from the gross income of the holders of the Series 2003 D Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Series 2003 D Qualified Entity with respect to its requirements under the Series 2003 D Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Additional Bonds

Under the Indenture, one or more series of Additional Bonds of the Bond Bank may be issued on a parity with the Series 2003 D Bonds and all other Bonds issued under the Indenture, upon meeting certain conditions, without limitations as to amount and at any time, for the purpose of paying (i) interest on the Series 2003 D Bonds, (ii) costs of issuance, (iii) purchasing additional qualified obligations issued for the purpose of providing funds for completion or expansion of the Project and (iv) refunding outstanding Bonds. The proceeds of any Additional Bonds will be applied as provided in an indenture supplemental to or amendatory of the Indenture (a “Supplemental Indenture”) authorizing such Additional Bonds.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Bond Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

(i) Moneys available to the Bond Bank from proceeds of the sale of the Series 2003 D Bonds or a Debt Service Reserve Fund Surety Bond (as defined in Appendix E) that satisfies the Reserve Requirement (hereinafter defined), initially established under the Indenture in the amount of \$2,531,875.00, which amount equals the least of (i) maximum annual debt service on the Bonds, (ii) ten percent (10%) of the original stated principal amount of the Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds;

(ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;

(iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and

(iv) Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal to the least of (i) the maximum annual debt service on the Bonds, (ii) ten percent (10%) of the original stated principal amount of the Outstanding Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds (the “Reserve Requirement”). Such amount will be decreased on the first day of each year to the maximum annual debt service on all Outstanding Bonds in the present or any succeeding Fiscal Year. Such amount will be invested and used to make a portion of the annual principal and semi-annual interest payments on the Bonds.

The Bond Bank expects to satisfy the Reserve Requirement by depositing a Debt Service Reserve Fund Surety Bond in the Debt Service Reserve Fund. See "DEBT SERVICE RESERVE FUND SURETY BOND."

State Debt Service Reserve Fund Appropriations Mechanism

The Act provides that the Indiana General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the Indiana General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the amount then required to be on deposit in the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the Indiana General Assembly on or before August 1 of any fiscal year of the Bond Bank (“Fiscal Year”) in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the Indiana General Assembly, or (ii) that upon consideration of any such certificate, the Indiana General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the Indiana General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular

date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$315,230,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the Indiana General Assembly.

In accordance with the Constitution of the Indiana, the State General Assembly meets for a maximum period of sixty-one (61) legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The Indiana General Assembly also meets for a maximum period of thirty (30) legislative days in intervening years in order to make supplemental appropriations. Because the Indiana General Assembly meets for only a portion of each year, there can be no representation or assurance that the Indiana General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

AGREEMENT WITH THE STATE

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Series 2003 D Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

BOND INSURANCE

The following information has been furnished by the Series 2003 D Bond Insurer for use in this Official Statement. Reference is made to APPENDIX F for a specimen of the financial guaranty insurance policy to be issued by the Series 2003 D Bond Insurer (the "Series 2003 D Financial Guaranty Insurance Policy").

The Series 2003 D Financial Guaranty Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Bond Bank to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2003 D Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Series 2003 D Financial Guaranty Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003 D Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Series 2003 D Financial Guaranty Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003 D Bond. The Series 2003 D Financial Guaranty Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) and (ii) above. The Series 2003 D Financial Guaranty Insurance Policy also does not insure against nonpayment of principal of or interest on the Series 2003 D Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any paying agent for the Series 2003 D Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Series 2003 D Bond Insurer from the Trustee or any owner of a Series 2003 D Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Series 2003 D Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003

D Bonds or presentment of such other proof of ownership of the Series 2003 D Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003 D Bonds as are paid by the Series 2003 D Bond Insurer, and appropriate instruments to effect the appointment of the Series 2003 D Bond Insurer as agent for such owners of the insured Series 2003 D Bonds in any legal proceeding related to payment of insured amounts on the Series 2003 D Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2003 D Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Series 2003 D Bond Insurer

The Series 2003 D Bond Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against the Series 2003 D Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Series 2003 D Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Series 2003 D Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Series 2003 D Financial Guaranty Insurance Policy and the Series 2003 D Bond Insurer set forth under the heading “Bond Insurance”. Additionally, the Series 2003 D Bond Insurer makes no representation regarding the Series 2003 D Bonds or the advisability of investing in the Series 2003 D Bonds.

The Series 2003 D Financial Guaranty Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following document filed by the Company with the Securities and Exchange Commission (the “SEC”) is incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ending December 31, 2002.
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company’s Quarterly Report on Form 10-Q for the quarters ended March 31, 2003, is available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at

<http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003, MBIA had admitted assets of \$9.3 billion (audited), total liabilities of \$6.1 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003 D Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2003 D Bonds. MBIA does not guaranty the market price of the Series 2003 D Bonds nor does it guaranty that the ratings on the Series 2003 D Bonds will not be revised or withdrawn.

DEBT SERVICE RESERVE FUND SURETY BOND

Application has been made to the Series 2003 D Bond Insurer for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the to the effect that insufficient amounts are on deposit in the Debt Service Reserve Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2003 D Bond, the 2003 D Bond Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2003 D Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Series 2003 D Bond Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Series 2003 D Bonds as specified in the Demand for Payment presented by the Trustee to the Series 2003 D Bond Insurer, the Series 2003 D Bond Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Series 2003 D Bond Insurer with the Trustee which have not been reimbursed by the Bond Bank. The Bond Bank and the Series 2003 D Bond Insurer have entered into a Financial Guaranty Agreement dated June 25, 2003 (the "Agreement"). Pursuant to the Agreement, the Bond Bank is required to reimburse the Series 2003 D Bond Insurer, within one (1) year of any deposit, the amount of such deposit made by the Series 2003 D Bond Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Debt Service Reserve Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Series 2003 D Bond Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the General Fund. No optional redemption of Series 2003 D Bonds may be made until the Series 2003 D Bond Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Bond Bank depositing funds equal to the Debt Service Reserve Requirement for outstanding Obligations. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Maximum Annual Debt Service for the Series 2003 D Bonds and the premium therefor will be fully paid by the Bond Bank at the time of delivery of the Series 2003 D Bonds.

RISKS TO OWNERS OF THE SERIES 2003 D BONDS

Purchasers of the Series 2003 D Bonds are advised of certain risk factors with respect to the payment of the Series 2003 D Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2003 D Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2003 D Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. The principal source of payment on the Series 2003 D Qualified Obligations are rental payments from the DOA which are to be derived from appropriations to be made by the Indiana General Assembly. Except for the Debt Service Reserve Fund, there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by the Series 2003 D Qualified Entity in such payments on the Series 2003 D Qualified Obligations. There can be no representation or assurance that the Series 2003 D Qualified Entity will receive sufficient revenues, or otherwise have sufficient funds available to make its required payments on the Series 2003 D Qualified Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Provisions for Payment of the Qualified Obligations - State Appropriating Mechanism," and Appendix B.

Failure to Appropriate Funds to Restore Debt Service Reserve Fund

The Indiana General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- State Appropriations Mechanism." However, the State General Assembly is not and cannot be obligated to appropriate any such funds. Moreover, the Indiana General Assembly meets for only a portion of each year commencing in January and ending not later than April 30, unless extended by a special session called by the Governor, and there can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the Indiana General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the Indiana General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Series 2003 D Bonds be deemed to be a debt or obligation of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- State Debt Service Reserve Funds Appropriations Mechanism."

Damage or Restriction to Project

The Sublease Agreement provides that the sublease rental payments will be abated pro rata for any period during which the Project or any part thereof is unfit for its intended use. Under the Sublease Agreement, the Management Corporation is required to cause to be procured and maintained with an insurance company qualified to issue insurance policies in the State, (a) a policy of rental interruption loss insurance to insure against the loss of projected annual revenues (for payment of debt service) due to abatement under the Sublease Agreement for such time (being for a period of twenty-four (24) months) as use of the Project or any portion thereof is interrupted by damage or destruction from perils insured against under a standard extended coverage endorsement and (b) casualty insurance in an amount equal to one hundred percent (100%) of the full replacement cost of the Project. See Appendix B. However, in the event the Project or any part thereof becomes unfit for its intended use, there can be

no assurance that the proceeds, if any, from any such rental interruption loss insurance would be sufficient to pay the principal of and interest on the Series 2003 D Qualified Obligations during the period during which the Project or such part thereof is unfit for its intended use.

Tax Exemption

The Bond Bank has covenanted under the Indenture to take all qualifying actions and not to fail to take any qualifying actions required to assure the continuing exclusion of interest on the Series 2003 D Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2003 D Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of the Series 2003 D Qualified Obligations, the Bond Bank will receive an opinion from Baker & Daniels, Indianapolis, Indiana, to the effect that conditioned upon continuing compliance by the Series 2003 D Qualified Entity with certain tax covenants made in connection with the issuance of the Series 2003 D Qualified Obligations, the interest on the Series 2003 D Qualified Obligations is excludable from the gross income of the holder thereof for federal income tax purposes under existing law. However, the interest on the Series 2003 D Qualified Obligations could become taxable in the event that the Series 2003 D Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Series 2003 D Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the Series 2003 D Qualified Obligations from being deemed to be “private activity bonds” under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003 D Bonds, and any applicable regulations promulgated thereunder (the “Code”). Failure to comply with such requirements could adversely affect the exemption from gross income for federal tax purposes of the interest on all of the Series 2003 D Bonds retroactive to the date of issuance. See “TAX MATTERS.” The Bond Bank is not aware of any circumstances that would cause the interest on the Series 2003 D Qualified Obligations to be includable for purposes of federal income tax under the Code, but has not undertaken any investigation in connection with this Official Statement.

Limited Remedies

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of the Series 2003 D Qualified Obligations, the Lease Agreement or the Sublease Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the “United States Bankruptcy Code”), the remedies provided in the Indenture, the Series 2003 D Qualified Obligations, the Lease Agreement or the Sublease Agreement may not be readily available or may be limited. See “ENFORCEABILITY OF REMEDIES” herein.

PLAN OF FINANCING

The Bond Bank will use a portion of the proceeds of the Series 2003 D Bonds to purchase the Series 2003 D Qualified Obligations. The Series 2003 D Qualified Entity issuing the 2003 D Qualified Obligations has represented to the Bond Bank that such Series 2003 D Qualified Entity will use the proceeds received by it in the sale of the Series 2003 D Qualified Obligations to the Bond Bank to finance the acquisition, construction and equipping of the Project.

APPLICATION OF PROCEEDS OF THE SERIES 2003 D BONDS

The proceeds of sale of the Series 2003 D Bonds will be applied as follows:

Acquisition of Series 2003 D Qualified Obligations	\$25,575,750.00
Costs of Issuance*	\$541,798.95
Capitalized Interest**	\$3,404,270.00
TOTAL	\$29,521,818.95

*Includes Underwriters' Discount and premiums for Series 2003 D Financial Guaranty Insurance Policy and Debt Service Reserve Fund Surety Bond.

**For period of June 25, 2003 through February 1, 2006, plus an amount not to exceed \$7,500 for miscellaneous trustee fees.

THE INDIANA BOND BANK

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of the date of this Official Statement, an aggregate principal amount of approximately \$2,812,015,000 in separate program obligations not secured by the Indenture, approximately \$314,230,000 of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financing, if any, will be secured separately from the Series 2003 D Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities," defined in the Act to include political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1, leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions and nonprofit corporations and associations which lease facilities or equipment to such entities. The Series 2003 D Qualified Entity is a "qualified entity" within the meaning of the Act.

Powers Under the Act

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to a loan to or a lease or an agreement with a qualified entity, a purchase, acquisition or a sale of qualified obligations or other investments for the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;
3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;

4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;

5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;

6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;

7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;

8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;

9. In connection with any purchase, consider the need for and desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;

10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and

11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; and (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;

2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;

3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;

4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings and loan association or any other kind of financial institution; or

5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of seven (7) Directors: the Treasurer of State, serving as Chairman Ex Officio, the Director of the State Department of Financial Institutions, appointed by the Governor and serving as Director Ex Officio, and five (5) Directors appointed by the Governor of the State. Each of the five (5) Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.

The Directors elect one (1) Director to serve as Vice Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four (4) of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four (4) Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

Directors

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board of Directors of the Bond Bank:

Tim Berry, Treasurer of the State of Indiana, February 10, 1999-present, and Chairman Ex Officio. Residence: Indianapolis, Indiana, Member, Indiana State Board Finance; Vice Chairman, Indiana Housing Finance Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority.

Clark H. Byrum, Vice Chairman; term expires July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and NorCen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

Charles W. Phillips, Director of the Indiana Department of Financial Institutions, 1989 to present, and Director Ex Officio, serving at the pleasure of the Governor. Residence: New Albany, Indiana. Director Ex Officio, Indiana Housing Finance Authority; President, Floyd County Bank, New Albany, Indiana, 1962-1985; Former Examiner, Federal Deposit Insurance Corporation.

Russell Breeden, III, Director; term expires July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

C. Kurt Zorn, Director; term expires July 1, 2003. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to Present; Chairman, State Board of Tax Commissioners, January 1991 -August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987-1994 (on leave 1989-1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Marni McKinney, Director, term expires July 1, 2004. Residence: Indianapolis, Indiana. Chairman, First Indiana Bank; Vice Chairman & Chief Executive Officer, First Indiana Corporation; Board of Directors, Indianapolis Public Transit Authority; Member, America's Community Bankers Association.

Morris H. Mills. Director, term expires July 1, 2003. Residence: Ladoga, Indiana. Partner, Mills Bros. Farms; Member, Indiana State Senate, 1972 to 2000; Member, Indiana State House of Representatives, 1968 to 1972; Director and Officer, Maplehurst Group, 1954 to 1996.

The Directors are authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board of Directors. Dan Huge was appointed Executive Director of the Indiana Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of the Indianapolis Local Public Improvement Bond Bank for over three (3) years. Mr. Huge has over fourteen (14) years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

REVENUES, FUNDS AND ACCOUNTS

The Indenture creates certain Funds and Accounts identified in more detail below. Pursuant to the Indenture, the Trustee will deposit the net proceeds of the Series 2003 D Bonds, together with other moneys into these Funds and Accounts as described below. Appendix D sets forth a summary of certain provisions of the Indenture.

Creation of Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund - comprised of the following:
 - (a) General Account
 - (b) Purchase Account
 - (c) Capitalized Interest Account
 - (d) Bond Issuance Expense Account
 - (e) Redemption Account
2. Debt Service Reserve Fund
3. Rebate Fund

Deposit of Net Proceeds of the Series 2003 D Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2003 D Bonds, the Trustee will deposit the proceeds (net of underwriter's discount and the premiums for the Series 2003 D Financial Guaranty Insurance Policy and the Debt Service Reserve Fund Surety Bond paid directly by the Underwriters) from the sale of the Series 2003 D Bonds, as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, the amount of \$191,599.55 to pay the Costs of Issuance (other than the underwriters' discount retained by the Underwriters and the premiums for the Series 2003 D Financial Guaranty Insurance Policy and the Debt Service Reserve Fund Surety Bond paid directly by the Underwriters); and

(b) Into the Purchase Account of the General Fund, the sum of \$25,575,750.00, which will be used to purchase the Series 2003 D Qualified Obligations.

(c) Into the Capitalized Interest Account of the General Fund, the sum of \$3,404,270.00, which, together with investment earnings thereon, will be used to pay interest on the Series 2003 D Bonds through and including February 1, 2006 and certain miscellaneous trustee fees not to exceed \$7,500.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2003 D Bonds, and moneys received by the Bond Bank from the sale or optional redemption prior to maturity of the Series 2003 D Qualified Obligations) into the General Account of the General Fund and will deposit any moneys received

from the sale or optional redemption prior to maturity of the Series 2003 D Qualified Obligations into the Redemption Account of the General Fund. The Trustee shall deposit into the Debt Service Reserve Fund any appropriations to the Trustee or the Bond Bank from the Indiana General Assembly to replenish the Debt Service Reserve Fund. Thereafter, the Trustee will deposit the proceeds of any Additional Bonds as provided under the Supplemental Indenture authorizing the issuance of such Additional Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will deposit in the General Account of the General Fund all moneys required to be deposited therein pursuant to the Indenture. The Trustee will invest such funds in accordance with the Indenture and will make the following payments on the specific dates, and if there are not sufficient funds to make all the payments required, with the following order of priority:

(a) On or before 10:00 A.M. in the city in which the Trustee is located, on the business day next preceding each Interest Payment Date, such amount as shall be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;

(b) As soon as funds become available, and only to the extent necessary, to the Debt Service Reserve Fund, sufficient amounts to assure that the Reserve Requirement is met;

(c) As necessary, to the provider of any applicable Debit Service Reserve Fund Surety Bond, to pay any Debit Service Reserve Fund Reimbursement Obligation (as defined in Appendix E) in the manner provided in the Indenture;

(d) At such times as shall be necessary, the reasonable Program Expenses, if any, provided, that Program Expenses may not exceed the amounts set forth in the most recent Cash Flow Certificate;

(e) On or before thirty (30) days after each anniversary of the issuance of the Series 2003 D Bonds, any amount required to be transferred to the Rebate Fund as required by the Indenture; and

(f) After making such deposits and disbursements and after the Trustee will retain the remaining amounts in the General Account to be used from time to time for purposes set forth in paragraph (a) through (e) above. No moneys shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Purchase Account. The Trustee will disburse the funds held in the Purchase Account to purchase Series 2003 D Qualified Obligations (provided that such funds may continue to be held by the Trustee on behalf of the Series 2003 D Qualified Entity as provided in the Indenture) upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements have been or will be complied with. After the purchase of the Series 2003 D Qualified Obligations or upon certification by the Bond Bank that the Series 2003 D Qualified Obligations eligible for purchase with the proceeds of the Series 2003 D Bonds have been purchased, the amounts remaining in the Purchase Account may be transferred to the Redemption Account. Any amounts remaining in the Purchase Account three (3) years after the date of delivery of the Series 2003 D Bonds shall be transferred to the Redemption Account (subject to other provisions of the Indenture).

Capitalized Interest Account. Moneys in the Capitalized Interest Account shall without further authorization or direction, be transferred by the Trustee from the Capitalized Interest Account to the General Account on or before the second business day next preceding each Interest Payment Date through and including February 1, 2006. Any moneys remaining in the Capitalized Interest Account after the transfer for the Interest Payment Date on February 1, 2006, shall be transferred to the General Account, at the direction of an Authorized Officer of the Bond Bank.

Bond Issuance Expense Account. The Trustee will disburse the amounts held in the Bond Issuance Expense Account upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs and to transfer moneys therefrom to the General Account. On December 1, 2003, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account, at which time the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

Redemption Account. The Trustee will deposit in the Redemption Account all moneys received upon the sale or optional redemption prior to maturity of the Qualified Obligations and will disburse the funds in the Redemption Account as follows:

(1) On the fifteenth day of each month, to the General Account an amount of money equal to the principal which would have been payable during the following month if such Qualified Obligation had not been sold or redeemed prior to maturity.

(2) On the second business day next preceding each Interest Payment Date if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, the Trustee shall transfer to the General Account moneys in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.

(3) After making provisions for the required transfers to the General Account, (i) to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank, if such Bonds are then subject to redemption, (ii) to the extent there are any excess moneys in the Redemption Account, transfer to the General Account, (iii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption, or (iv) to make investments of such moneys until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such purchase price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with moneys expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds along with Program Expenses, if any. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption under the provisions of the Indenture or the Supplemental Indenture authorizing the issuance of such Bonds.

(4) In the event that the Trustee is unable to purchase Bonds in accordance with subparagraph (3), then, subject to restrictions on redemption set forth in the Indenture, the Trustee will call for redemption on the next redemption date such amount of Bonds of such maturity or maturities directed by an Authorized Officer of the Bond Bank as will exhaust the Redemption Account as nearly as possible at the applicable Redemption Price. The Trustee will pay the interest accrued on any such redeemed Bonds to the date of redemption from the General Account and will pay the Redemption Price from the Redemption Account.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to the Indenture, will invest such funds, and, except as provided in the Indenture, will disburse the funds held in the Debt Service Reserve Fund solely to the General Account on the second business day next preceding each Interest Payment Date if the moneys in the General Account are insufficient to pay principal of and interest on the Bonds on such date after making all of the transfers thereto required to be made under the Indenture from the Redemption Fund. Amounts in the Debt Service Reserve Fund in excess of the Reserve Requirement will be transferred to the General Account or Redemption Account, as directed by the Bond Bank.

The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Series 2003 D Bonds a Debt Service Reserve Fund Surety Bond. If such deposit causes the Debt Service Reserve Fund to be equal to the Reserve Requirement, moneys in the Debt Service Reserve Fund in excess of that needed for the Debt Service Reserve Fund to be equal to the Reserve Requirement will be moved in accordance with the Indenture, subject to the satisfaction of any Debt Service Reserve Fund Reimbursement Obligations from such excess as described below. If a disbursement is made pursuant to a Debt Service Reserve Fund Surety Bond, the Bond Bank will be obligated (but solely from the appropriations, if any, made and available pursuant to the Indenture or if otherwise available from the Trust Estate) within twelve (12) months from the date on which such disbursement was made, to cure such deficiency, either by (i) reinstating the maximum limits of such Debt Service Reserve Fund Surety Bond or (ii) depositing cash or Investment Securities into the Debt Service Reserve Fund, or a combination of such alternatives, so that the Debt Service Reserve Fund is equal to the Reserve Requirement. The Trustee will include in the total amount held in the Debt Service Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any such Debt Service Reserve Fund Surety Bond on deposit with the Trustee. The Bond Bank shall issue a reimbursement note to evidence the Debt Service Reserve Fund Reimbursement Obligations to the Series 2003 D Bond Insurer with respect to the Debt Service Reserve Fund Surety Bond (the "Reimbursement Note"). Amounts required to be deposited in the Debt Service Reserve Fund shall include any amount required to pay principal and interest owing under a Reimbursement Note for satisfaction of a Debt Service Reserve Fund Reimbursement Obligation for any Qualified Surety Bond. The Trustee is hereby authorized to transfer amounts on deposit in the Debt Service Reserve Fund to pay principal and interest owing under a Reimbursement Note for satisfaction of the Debt Service Reserve Fund Reimbursement Obligations to the Credit Provider of the respective Qualified Surety Bond.

Rebate Fund

The Trustee will establish, designate appropriately and maintain, so long as any Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States, a separate fund to be known as "Rebate Fund." The Trustee will make information regarding the Bonds and investments hereunder available to the Bond Bank and will make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank, will invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and will deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee will upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank and make such transfers of moneys from the General Account to the Rebate Fund. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee will upon written direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by the Indenture and the investment instructions must be retained by the Trustee until six (6) years after the Bonds are no longer Outstanding.

Not later than sixty (60) days after the February 1, 2008 and every five (5) years thereafter, upon written direction from the Bond Bank, the Trustee will disburse to the United States of America the amount required to be paid to the United States of America pursuant to the Code from amounts in the Rebate Fund, and not later than sixty (60) days after the final retirement of the Bonds, upon written direction from the Bond Bank, the Trustee will disburse to the United States of America the amount required to be paid to the United States of America pursuant to the Code as of such retirement date. Each payment required to be paid to the United States of America pursuant to the Indenture will be, together with a properly completed Form 8038-T, filed with the Internal Revenue Service Center, Ogden, Utah 84201 or such other location as the Internal Revenue Service shall require.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture, all required rebates and the fees, charges and expenses of the Trustee will be distributed to the Series 2003 D Qualified Entity.

LITIGATION

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2003 D Bonds; seeking to prohibit any transactions contemplated by the Indenture; in any way contesting or affecting the validity of the Series 2003 D Bonds or the Series 2003 D Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2003 D Bonds, or the Pledges (as hereinafter defined under "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the Series 2003 D Bonds or the Series 2003 D Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

TAX MATTERS

In the opinion of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2003 D Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003 D Bonds (the "Code"). The opinion of Baker & Daniels is based on certain certifications, covenants and representations of the Bond Bank and the Series 2003 D Qualified Entity issuing the Series 2003 D Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2003 D Bonds is exempt from taxation in the State of Indiana for all purposes except the State inheritance tax and the State financial institutions tax. See Appendix C, "FORM OF APPROVING BOND COUNSEL OPINION."

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2003 D Bonds as a condition to the exclusion from gross income of interest on the Series 2003 D Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2003 D Bonds to be includable in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2003 D Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2003 D Bonds would be materially and adversely affected. The Tax Covenants include covenants that (i) the Bond Bank and Series 2003 D Qualified Entity will not take or fail to take any action with respect to the Series 2003 D Bonds, if such action or omission would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Series 2003 D Bonds under Section 103 of the Code, and the Bond Bank and Series 2003 D Qualified Entity will not act in any other manner which would adversely affect such exclusion; (ii) the Bond Bank and Series 2003 D Qualified Entity will not make any investment or do any other act or thing during the period that the Series 2003 D Bonds are outstanding which would cause the Series 2003 D Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bond Bank will rebate any necessary amounts to the United States of America. It is not an event of default under the Indenture if interest on the Series 2003 D Bonds or the Series 2003 D Qualified Obligations, respectively, is not excluded from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2003 D Bonds.

The Series 2003 D Bonds are not "private activity bonds" for the purpose of treatment of interest thereon as a specific preference in calculating the federal individual or corporate alternative minimum taxes. However, interest on the Series 2003 D Bonds is includable in "adjusted current earnings" in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Although Bond Counsel will render an opinion that interest on the Series 2003 D Bonds is excludable from gross income for federal tax purposes and exempt from certain State income tax, the accrual or receipt of interest on

the Series 2003 D Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Except as expressly set forth above, Bond Counsel expresses no opinion regarding any other such tax consequences.

No provision has been made for redemption of the Series 2003 D Bonds, or for an increase in the interest rate on the Series 2003 D Bonds, in the event that the interest on the Series 2003 D Bonds becomes subject to income taxation.

The foregoing does not purport to be a comprehensive discussion of all of the tax consequences of owning the Series 2003 D Bonds. Prospective purchasers of the Series 2003 D Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2003 D Bonds.

AMORTIZABLE BOND PREMIUM

The initial offering prices of the Bonds (the "Premium Bonds") are greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning treatment of Bond Premium.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the holders of the Series 2003 D Bonds upon a default under the Indenture to the Trustee or the Bond Bank under the Series 2003 D Qualified Obligations, the Lease Agreement, the Sublease Agreement and the Purchase Agreement, or to any party seeking to enforce the pledges securing the Series 2003 D Bonds or the Series 2003 D Qualified Obligations described herein (collectively the "Pledges"), are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided (or which may be provided) in the Indenture, the Purchase Agreement, the Series 2003 D Qualified Obligations, the Qualified Entity Bond Ordinance, the Lease Agreement and the Sublease Agreement, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Series 2003 D Qualified Entity from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Qualified Obligation Payments pledged to owners of the Series 2003 D Bonds under the Indenture or over the liens pledged to the owner of the Series 2003 D Qualified Obligations under the Qualified Entity Bond Ordinance.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003 D Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered to a proceeding in equity or at law) and by public

policy. These exceptions would encompass any exercise of the federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Series 2003 D Bonds, the Indenture, the Purchase Agreement, the Series 2003 D Qualified Obligations, the Qualified Entity Bond Ordinance, the Lease Agreement and the Sublease Agreement and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2003 D Bonds are subject to the approval of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2003 D Bonds, substantially in the form attached hereto as Appendix C. Certain legal matters will be passed on for the Bond Bank by its general counsel, Barnes & Thornburg, Indianapolis, Indiana, for the State by its Disclosure Counsel, Kreig DeVault LLP, Indianapolis, Indiana, and for the Underwriters by their counsel, Bingham McHale LLP, Indianapolis, Indiana.

RATING

S&P has assigned a rating of “AAA” to the Series 2003 D Bonds. Such rating is based upon the issuance of the Series 2003 D Financial Guaranty Insurance Policy. This rating reflects only the view of S&P and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2003 D Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2003 D Bonds any proposed revision or withdrawal of the rating of the Series 2003 D Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of rating may have an adverse effect on the market price or marketability of the Series 2003 D Bonds.

UNDERWRITING

The Series 2003 D Bonds are being purchased by the Representative, on behalf of the Underwriters set forth on the inside cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2003 D Bonds at an aggregate purchase price of \$29,370,619.55, which represents the par amounts set forth on the inside cover hereof, plus original issue premium of \$2,006,818.95 and less an underwriters’ discount of \$151,199.40 pursuant to a contract of purchase entered into between the Bond Bank and the Representative. Such contract of purchase provides that the Underwriters will purchase all of the Series 2003 D Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2003 D Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the front cover page of this Official Statement. The Underwriters may sell the Series 2003 D Bonds to certain dealers (including dealers depositing Series 2003 D Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that payments on the Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2003 D Bonds when due will be verified by Crowe Chizek and Company LLC, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

SERIES 2003 D BONDS AS LEGAL INVESTMENTS

Pursuant to the Act, all Indiana financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees, and other fiduciaries may legally invest

sinking funds, money, or other funds belonging to them or within their control in bonds or notes issued by the Bond Bank.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the “Financial Reports”) are prepared annually and are presently available for the year ended June 30, 2002, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2003 D Bonds or the owners of the Series 2003 D Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Series 2003 D Qualified Entity. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), and the terms of the Continuing Disclosure Undertaking Agreement (the “Undertaking”), among the State, the Bond Bank and the Trustee, the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, the following annual financial information and operating data, as long as the State is an “obligated person” (within the meaning of the Rule) with respect to the Bonds (or until such time as the Bonds may be defeased or paid in full, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To each nationally recognized municipal securities information repository (“NRMSIR”) and to the Indiana state information depository, if any (the “State Depository”), when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ended June 30, 2003, together with the independent auditor’s report and all notes thereto; if audited financial statements are not available within two hundred and twenty (220) days following the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2003, the Annual Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and

2. Financial Information in this Official Statement. To each NRMSIR and to the State Depository, if any, within two hundred and twenty (220) days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2003, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A - “FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA.”

(The information described in items 1 and 2 above is referred to as the “Annual Information.”)

Pursuant to the terms of the Undertaking, the Bond Bank (and the State, but only to the extent the State shall have actual knowledge of such event) will also agree to provide to each NRMSIR or to the Municipal Securities Rulemaking Board (the “MSRB”), and to the State Depository, if any, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- modifications to the rights of Bondholders;
- Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds; and
- rating changes.

The State or the Bond Bank may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above.

Failure to Disclose

In a timely manner, the Trustee shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the State to provide the Annual Information. Notwithstanding the obligation of Trustee to give such notice, the State must give notice, in a timely manner, to each NRMSIR or the MSRB and the SID, if any, if it fails to provide the Annual Information. If any information relating to the State can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State to each NRMSIR and to the State Depository, if any, along with the Annual Information required as specified above and containing such information as is still available, will satisfy the State's undertaking to provide the Annual Information. To the extent available, the State will cause to be filed along with the Annual Information operating data similar to that which can no longer be provided.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time.

Remedies

The Undertaking is solely for the benefit of the holders and beneficial owners of the Bonds and creates no new contractual or other rights for the SEC, any underwriters (other than the Underwriters), brokers, dealers, municipal securities dealers, potential customers, or other obligated persons or any other third party. The sole remedy against the State for any failure to carry out any provision of the Undertaking shall be for specific performance of the State's disclosure obligations under the Undertaking. Failure on the part of the State to honor its covenants thereunder shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the State to comply with its disclosure obligations under the Undertaking.

Modification of Undertaking

The Bond Bank, the State and the Trustee may, from time to time, amend or modify any provision of the Undertaking without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or the State, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the State that is unaffiliated with the State (including the Trustee) or (B) an approving vote of the holders of the requisite percentage of Outstanding Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or waiver (including an amendment which rescinds the Undertaking) is permitted by law or the Rule, as then in effect.

The Annual Information for the fiscal year during which any such amendment or modification occurs that contains the amended or modified Annual Information will explain, in narrative form, the reasons for such amendment or waiver and the impact of the change in the type of Annual Information being provided.

Copies of the Undertaking are available from the Bond Bank upon request.

Compliance with Previous Undertakings

In the previous five (5) years, the Bond Bank, the State, and the 2003 D Qualified Entity have never failed to comply in all material respects with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2003 D Bonds, the security for the payment of the Series 2003 D Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Representative; following delivery of the Series 2003 D Bonds, copies of such documents may be examined at the offices of the Bond Bank.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2003 D Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the Series 2003 D Qualified Entity, the Trustee, or the Underwriters and the purchasers or owners of any Series 2003 D Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

INDIANA BOND BANK

By: /s/ Tim Berry

Tim Berry, Chairman, Ex Officio

Dated: June 19, 2003

APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT
FOR THE STATE OF INDIANA

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APPENDIX A

**FINANCIAL AND ECONOMIC
STATEMENT FOR THE STATE OF INDIANA**

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I. INTRODUCTION

This Financial and Economic Statement (the “Statement”) and “Appendix A” for the State of Indiana (the “State”) includes a discussion of the State’s economic and fiscal condition, the results of operations for the past two years and revenue and expenditure projections through the end of the biennium ending June 30, 2005. The information is compiled on behalf of the State by the Indiana State Budget Agency and the Public Finance Office and includes information and data taken from the State Budget Agency’s unaudited reports. It also includes information obtained from other sources the State believes to be reliable. Information included in the section titled “Litigation” has been furnished by the office of the State Attorney General.

This Appendix A is dated as of June 2, 2003. The State expects to update the entire Statement not less than annually. The status of this Statement or any updates or supplements may be obtained by contacting the Public Finance Office, State of Indiana, One North Capitol, Suite 900, Indianapolis, Indiana 46204, Telephone (317) 233-4332. This Statement should be read in its entirety, together with any supplements.

II. STRUCTURE OF STATE GOVERNMENT

Division of Powers

The State constitution divides the powers of State government into three separate departments: the executive (including the administrative), the legislative and the judicial. Under the State constitution, no person in any one department may exercise any function of another department unless expressly authorized to do so by the constitution.

Executive Department

The executive department of the State is comprised of the Governor, Lieutenant Governor, Secretary of State, Auditor of State, Treasurer of State, Attorney General, Superintendent of Public Instruction and Clerk of the Supreme Court and Court of Appeals. All are elected for four-year terms, with the terms of the Lieutenant Governor, Attorney General and Superintendent of Public Instruction coinciding with that of the Governor.

The State constitution requires the Governor to “take care that the laws are faithfully executed.” The Governor may recommend legislation to the General Assembly of the State (the “General Assembly”), may call special sessions of the General Assembly and may veto any bill passed by the General Assembly (although such veto may be overridden if the bill is re-passed by a majority of *all* the members elected to each house of the General Assembly). If the Governor vacates the office or is unable to discharge the Governor’s duties, the Lieutenant Governor discharges the powers and duties as Acting Governor until the next general election.

The Lieutenant Governor serves as the President of the State Senate and casts the deciding vote whenever the Senate is equally divided. The Lieutenant Governor also serves as director of the State Department of Commerce, the Commissioner of Agriculture, the chairman of the Indiana Housing Finance Authority, the secretary manager of the Indiana Development Finance Authority and a member of the Indiana State Office Building Commission.

The Secretary of State attests official State documents issued by the Governor, maintains records of elections and administers State laws regulating the sale and trading of securities and corporate and Uniform Commercial Code filings.

The Treasurer of State is responsible for holding and investing all State revenues and disburses money upon warrants issued by the Auditor of State. The Treasurer of State is a member of the State Board of Finance, Indiana Transportation Finance Authority, Indiana Housing Finance Authority, Indiana Development Finance Authority and State Office Building Commission. The Treasurer of State is Secretary-Investment Manager of the State Board for Depositories and chairs the Indiana Bond Bank and Indiana Education Savings Authority.

The Auditor of State maintains the State’s centralized financial accounting system for all State agencies. Responsibilities include accounting for receipts and disbursements of the State, as well as issuing payroll for most

State employees. The Auditor of State is required by statute to prepare and publish annual statements of State funds, outlining receipts and disbursements of each State department and agency. The Auditor of State is a member of the State Board of Finance, State Office Building Commission, State Board for Depositories and Information Technology Oversight Commission.

The Attorney General is the chief legal officer of the State and is required to represent the State in every lawsuit in which the State is a party. The Attorney General, upon request, gives legal opinions regarding particular statutes to the Governor, members of the General Assembly and officers of the State.

The Superintendent of Public Instruction chairs the State Board of Education, which establishes policies and directives for implementation by the Indiana Department of Education. The Superintendent of Public Instruction oversees the Department of Education.

The Clerk of the Supreme Court and Court of Appeals performs the clerical and administrative duties required by the two highest courts of the State.

Legislative Department

The legislative authority of the State is vested in the General Assembly, which is comprised of the House of Representatives and the Senate. The House of Representatives consists of 100 members who are elected for two-year terms beginning in November of each even-numbered calendar year. The Senate consists of 50 members who are elected for four-year terms, with one-half of the Senate elected biennially. The Speaker presides over the House of Representatives. The members of the House of Representatives select the Speaker from among the ranks of the House. The Lieutenant Governor is President of the Senate.

By law, the term of each General Assembly extends for two years, beginning in November of each even-numbered calendar year. The first regular session of every General Assembly occurs in the following odd-numbered year, convening not later than the second Monday in January and adjourning not later than April 29. The second regular session occurs in the following year, convening not later than the second Monday in January and adjourning not later than March 14.

Pursuant to the State constitution, special sessions of the General Assembly may be convened by the Governor at any time if, in the Governor's opinion, "the public welfare shall require." By statute, a special session of the General Assembly may not exceed 30 session days during a 40-calendar-day period. The Governor cannot limit the subject of any special session or its scope.

Judicial Department

The State Constitution provides that the "judicial power of the State shall be vested in one Supreme Court, one Court of Appeals, Circuit Courts, and such other courts as the General Assembly may establish."

The Judicial Nominating Commission (comprised of the Chief Justice or his appointee, three attorneys elected by the attorneys of Indiana and three non-attorney citizens appointed by the Governor) evaluates the qualifications of potential candidates for vacant seats on the Supreme Court and Court of Appeals. When a vacancy occurs in either court, the Judicial Nominating Commission submits the names of three nominees and the Governor selects one of the three. If the Governor fails to choose among the nominees within 60 days, the Chief Justice is required to make the appointment.

The initial term of each newly appointed justice and judge is two years, after which the justice or judge is subject to a "yes" or "no" referendum at the time of the next general election. For justices of the Supreme Court, the entire State electorate votes on the question of approval or rejection. For Court of Appeals judges, the referendum is by district. Those justices and judges receiving an affirmative vote from the voting public serve a ten-year term, after which they are again subject to referendum. Justices and judges are prohibited from taking part in political campaigns and must retire by age 75.

III. FISCAL POLICIES

Fiscal Years

The State's Fiscal Year is the twelve-month period beginning on July 1 and ending on June 30 of the succeeding calendar year (a "Fiscal Year").

Accounting System

The State maintains a central accounting system that processes all payments for State agencies and institutions with the exception of State colleges and universities. The Auditor of State is responsible for the pre-audit of all payments, the issuance of all warrants and the maintenance of the accounting system.

Budgetary control is fully integrated into the accounting system. Legislative appropriations are entered into the system as an overall spending limit by account for each agency within each fund, but appropriations are not available for expenditure until allotted by the State Budget Agency. Allotments authorize an agency to spend a portion of its appropriation. The Budget Agency makes quarterly allotments. Capital is allotted as projects are approved by the State Budget Committee.

The accounting system is maintained using the cash basis of accounting. At year-end, accruals are recognized as necessary to convert from the cash basis of accounting. Government-wide financial statements are recognized as full accrual basis of accounting and fund statements are recognized as modified accrual basis of accounting in accordance with generally accepted accounting principles for government financial reporting purposes.

Fund Structure

Funds are used to record the financial activities of State government. There are three major fund types: Governmental, Proprietary and Fiduciary.

Governmental Funds are used to account for the State's general governmental activities and use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). Expenditures are recorded when the related fund liability is incurred, except that (i) unmatured interest on general long-term debt is recognized when due and (ii) certain compensated absences and related liabilities and claims and judgments are recognized when the obligations are expected to be liquidated. Governmental Funds include the following fund types:

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government that are not required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. There are several Special Revenue Funds including, for example, the Motor Vehicle Highway Fund, which receives revenues from gasoline taxes and motor vehicle registrations and operator licensing fees and distributes those revenues among the State and its counties, cities and towns to be used for the construction, reconstruction, improvement, maintenance and policing of highways and secondary roads.

The Property Tax Replacement Fund ("PTR Fund") is also reported as a Special Revenue Fund by the Auditor of State. The PTR Fund is funded from 50% of State sales and use tax revenues, a portion of individual income tax receipts, and a portion of Gaming Revenues. The PTR Fund is used to provide (i) property tax relief and (ii) local school aid. Although reported as a Special Revenue Fund, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund, so as to provide a more complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For that reason, the General Fund and PTR Fund are sometimes discussed in this Appendix A as a single, combined fund. See "FINANCIAL RESULTS OF OPERATIONS—Fund Balances—Combined General and PTR Fund."

Debt Service Funds are used to account for the accumulation of resources and payment of bond principal and interest from special revenue component units that are bodies corporate and politic with the legal authority to issue bonds to finance certain improvements within the State.

Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund, Soldiers and Sailors Children's Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

Proprietary Funds are used to account for a government's business-type activities. They use the accrual basis of accounting. There are two types of Proprietary Funds, Enterprise Funds and Internal Service Funds. Enterprise Funds are used to account for provision of services to customers outside the government. Examples are the State Lottery Commission and Inns and Concessions. Internal Service Funds are used to account for provision of services to other funds, departments or agencies of the government. An example is the State Office Building Commission.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support government programs. They use the accrual basis of accounting. Indiana has three types of these funds: Pension Trust Funds, Private-purpose Trust Funds, and Agency Funds. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. Examples are the State Police Pension Fund and the Employees' Deferred Compensation Fund. Private-purpose Trust Funds are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments. Examples are the Student Loan Program Fund and the Abandoned Property Fund. Agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. Examples are the Child Support Fund and the Local Distributions Fund.

Budget Process

State Budget Agency. The State Budget Agency is responsible for preparing the State budget. After the budget is enacted by the General Assembly, the Budget Agency has extensive statutory authority to administer it. The chief executive officer of the Budget Agency is the State Budget Director, who is appointed by the Governor. The Governor also appoints two Deputy Budget Directors; by law, the deputies must be of different political parties.

Budget Committee. The State Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President *pro tempore* of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

Budget Development. The State's budget process is set out in statute. The State operates under a two-year budget; the legislature enacts one act containing two annual budgets. On or before the first day of September in each even-numbered year, all State agencies, including State-supported higher education institutions and public employee and teacher pension fund trustees, submit budget requests to the Budget Agency. The Budget Agency then conducts an internal review of each request. In September of each even-numbered year, the Budget Committee begins hearings on budget requests. After presentations by the agencies and the Budget Agency, the Budget Committee makes budget recommendations to the Governor.

Revenue Projections Revenue projections are prepared by the Indiana Technical Forecast Committee. The Economic Forecast Committee is responsible for forecasting independent variables that may be employed by the Technical Forecast Committee to derive the State's revenue projections. The Economic Forecast Committee is currently comprised of seven economists from Indiana and a special adviser associated with the Federal Reserve Bank of Chicago, all of whom serve at the request of the Governor and without pay. Members of the Economic Forecast Committee have detailed knowledge of the State and national economies, the banking community and the Federal Reserve System and have access to a national econometric model.

The Technical Forecast Committee is responsible for developing econometric models used to derive the State's revenue projections and for monitoring changes in State and federal laws that may have an impact on State revenues. Each regular member of the Budget Committee appoints a member of the Technical Forecast Committee. Members of the Budget Committee appoint one additional member from a higher education institution for a total of six members. Members of the Technical Forecast Committee are individuals with expertise in public finance.

No formal contact occurs between the Economic Forecast Committee and the Technical Forecast Committee until the chair of each group reports to the Budget Committee, although the Economic Forecast Committee provides the economic assumptions used by the Technical Forecast Committee in preparing revenue projections. The report presented by the Technical Forecast Committee is a consensus forecast in which Democratic and Republican legislators and the executive and legislative departments are involved.

Budget Report. The budget report and budget bill are prepared by the Budget Committee with the Budget Agency's assistance. The budget report and bills are based upon the recommendations and estimates prepared by the Budget Agency and the information obtained through hearings and other inquiries. If the Budget Agency and a majority of the members of the Budget Committee differ upon any item, matter or amount to be included in the budget report and bill, the recommendation of the Budget Agency is included in the bill. The particular item, matter or amount, and the extent of and reasons for the differences between the Budget Agency and the Budget Committee must be stated fully in the budget report.

Before the second Monday of January in the year immediately after their preparation, the Budget Committee submits the budget report and bill to the Governor. The Governor then delivers such budget bill to the Budget Committee members appointed by the Speaker of the House of Representatives for introduction in the House. Although there is no law that requires a budget bill to originate in the House, by tradition, the House passes budget bill first and sends it to the Senate for consideration.

The budget report includes (a) a statement of policy, (b) a general summary, (c) detailed data on actual receipts and expenditures for the previous budget period, (d) a description of the State capital improvement program, and (e) the budget bill.

Appropriations. Within 45 days following the adjournment of each regular session of the General Assembly or within 60 days following a special session of the General Assembly, the Budget Agency is required to prepare a list of all appropriations made for the budget period beginning on July 1 following such session, or for such other period as may be provided in the appropriation. The State Budget Director is required to prepare a written review and analysis of the fiscal status and affairs of the State as affected by the appropriations. The report is forwarded to the Governor, the Auditor of State and each member of the General Assembly.

On or before the first day of June of each calendar year, the Budget Agency is required to prepare a list of all appropriations made for expenditure or encumbrance for the ensuing Fiscal Year. The Auditor of State then establishes the necessary accounts based upon the list.

Intra-Agency Transfers. The Budget Agency is responsible for administering the State budget after it is enacted. By statute, the Budget Agency may, with the approval of the Governor and the State Budget Director, transfer, assign or reassign all or any part of any appropriation made to any agency for a specific use or purpose to another use or purpose, except any appropriation made to the Indiana State Teachers' Retirement Fund. The Budget Agency may take such action only if the transfer, assignment or reassignment is to meet a use or purpose that an agency is required or authorized by law to perform. The agency whose appropriation is involved must approve the transfer, assignment or reassignment.

Contingency Appropriations. The General Assembly may also make “contingency appropriations” to the Budget Agency, which are general and unrelated to any specific State agency. In the absence of other directions imposed by the General Assembly, contingency appropriations must be for the general use of any agency of the State and must be for its contingency purposes or needs, as the Budget Agency in each situation determines. The Budget Agency fixes the amount of each transfer and orders the transfer from such appropriations to the agency. By law, the Budget Agency may make and order allocations and transfers to, and authorized expenditures by, the various State agencies to achieve the purposes of such agencies or to meet the following:

1. necessary expenditures for the preservation of public health and for the protection of persons and property that were not foreseen when appropriations were last made;
2. repair of damage to, or replacement of, any building or equipment owned by the State which has been so damaged so as to materially affect the public safety or utility thereof, or which has so deteriorated as to become unusable if such deterioration was not foreseen when appropriations were last made;
3. emergencies resulting from an increase in costs or any other factor or event that was not foreseen when appropriations were last made, or
4. without limiting the foregoing, supplement an exhausted fund or account of any State agency, whatsoever the cause of such exhaustion, if such is found necessary to accomplish the orderly administration of the agency, or the accomplishment of an existing specific State project.

These provisions may not change, impair or destroy any fund previously created nor affect the administration of any contingency appropriations previously or subsequently made for specific purposes.

State Board of Finance

The State Board of Finance (the “Finance Board”) consists of the Governor, the Treasurer of State and the Auditor of State. The Finance Board elects from its membership a president, who, by tradition, is the Governor. The Auditor of State is the secretary of the Finance Board. The Finance Board is responsible for supervising the fiscal affairs of the State and has advisory supervision of the safekeeping of all funds coming into the State treasury and all other funds belonging to the State coming into the possession of any State agency or officer. The Finance Board may transfer money between funds, except trust funds, and the Finance Board may transfer money between appropriations for any State board, department, commission, office or benevolent or penal institution.

The Finance Board has statutory authority to negotiate loans on behalf of the State for the purpose of meeting “casual deficits” in State revenues. A loan may not be for a period longer than four years after the end of the Fiscal Year in which it is made. If sufficient revenues are not being received by the General Fund to repay the loan when due, the Finance Board may levy a tax on all taxable property in the State sufficient to pay the amount of the indebtedness. The Finance Board has never negotiated a loan to meet a deficit in State revenues.

Cash Management and Investments

The Treasurer of State is responsible for the receipt, custody and deposit of all moneys paid into the State Treasury and keeps daily accounts of all funds received into the Treasury and all moneys paid out of it. The Treasurer of State is responsible for investing the General Fund, the PTR Fund, and more than 60 other funds. Indiana Code 5-13 sets forth certain limitations on the types and amounts of investments in which the Treasurer of State may invest State funds. These investments include securities (a) that are backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and (b) issued by the United States Treasury, a federal agency, a federal instrumentality or a federal government sponsored enterprise, as well as (c) other securities specified in statute. Additionally, investments may include repurchase agreements fully collateralized by securities listed in (a) and (b) above and certain deposit accounts insured by the Public Deposit Insurance Fund. No more than 25% of the total portfolio invested by the Treasurer of State may be made in securities maturing from two to five years, and no such security may have a maturity in excess of five years.

Audits

The State Board of Accounts is a State agency, with the responsibility and authority to (a) audit all State and local units of government and (b) approve uniform systems of accounting for such governments.

The State Board of Accounts performs its financial and compliance audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The State Board of Accounts issues its opinion on the fairness of financial statements and their conformity to generally accepted accounting principles for the State agencies and local units of government it audits, including the comprehensive annual financial report (or CAFR) prepared annually by the Auditor of State.

Certain Financial Information Incorporated by Reference; Availability from NRMSIRs, State

The Indiana Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2002 (the “2002 Financial Report”) is incorporated in this Appendix A by reference. So long as the State is deemed to be an “obligated person” under the meaning of Rule 15c2-12 of the Securities and Exchange Commission, it will file annually such a financial report with the following Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) in accordance with SEC Rule 15c2-12: Bloomberg Municipal Repository, FT Interactive Data, DPC Data, Inc., and Standard & Poor’s J.J. Kenny Repository.

A copy of the 2002 Financial Report may be obtained from the NRMSIRs. In addition, the 2002 Financial Report may be found at: <http://www.in.gov/idfa/pfo>

The 2002 Financial Report that may be found at the referenced website is intended to provide financial information about the State prepared and published by the Auditor of State. It is not, by itself, intended to present investment information about any particular bond issue, including the bonds offered with this Appendix A, within the meaning of applicable securities laws. Investment decisions should be made only after full review of the official statement for a particular bond issue, including the bonds offered with this Appendix A.

The 2002 Financial Report that may be found at the referenced website speaks only as of its date. There should be no implication that there has been no change in the financial or other affairs of the State or any other person described in this Statement or in the 2002 Financial Report after the date of the 2002 Financial Report.

IV. STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

Operating Revenues

While certain revenues of the State are required by law to be credited to particular funds other than the General Fund, the requirement is primarily for accounting purposes and may be changed. Substantially all State revenues are general revenues until applied. No lien or priority is created to secure the application of such revenues to any particular purpose or to any claim against the State. All revenues not allocated to a particular fund are credited to the General Fund. The general policy of the State is to close each Fiscal Year with a surplus in the General Fund and a zero balance in all other accounts, except for certain dedicated and trust funds and General Fund accounts reimbursed in arrears.

Although established by law as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For this purpose, the combined receipts are referred to as “State Operating Revenues” and “Operating Revenues.” Operating Revenues are defined as the total of General Fund and PTR Fund revenues forecasted by the Technical Forecast Committee. Total Operating Revenues together with “DSH revenues” transferred to the General Fund, plus transfers from other funds when necessary and available, are used in the determination of the State’s unappropriated balance reflected on the Combined General and PTR Fund Unappropriated Reserve Statement. “DSH” is an acronym for “Disproportionate Share for Hospitals (federal funds),” and DSH revenues constitute additional Medicaid reimbursements provided to the State for hospitals that serve disproportionately large numbers of poor

people. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS—Fund Balances—Combined General and PTR Fund."

Major General Fund and PTR Fund Revenue Sources

Sales and use and corporate and individual income taxes are the three primary sources of State Operating Revenues. In addition, legislation passed by the 2002 General Assembly, directs the deposit of wagering taxes into the PTR Fund, making wagering taxes another source of Operating Revenues beginning in Fiscal Year 2003. Table IV-1 provides annual revenues by source and growth rates over time. The following is a summary of Operating Revenues.

Sales and Use Taxes. The General Assembly increased the sales and use tax rate from 5.0% to 6.0%, effective December 1, 2002. This tax is imposed on sales and rentals of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 6.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs. The sales and use tax rates were last increased in Fiscal Year 1983.

Corporate Income Taxes. As part of tax restructuring legislation passed in 2002, the General Assembly repealed the gross income tax and the supplemental corporate net income tax and increased the corporate adjusted gross income tax rate to 8.5% of apportioned Indiana adjusted gross income (AGI). These changes were effective January 1, 2003.

The adjusted gross income tax is applicable to corporations doing business in the State. Prior to the change in tax rate, the effective rate for a taxpayer paying adjusted gross income tax and supplemental net income tax was 7.47%. AGI is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the adjusted gross income tax. Adjusted gross income tax collections are allocated to the General Fund.

The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. Utilities must also pay the corporate adjusted gross income tax.

Individual Adjusted Gross Income Tax. Adjusted gross income (federal adjusted gross income modified by adding back certain federal adjustments and subtracting certain federal exemptions and deductions) of residents and non-residents with income derived from Indiana sources is taxed at 3.4%. All revenues derived from the collection of the adjusted gross income tax imposed on persons are credited to the General Fund and PTR Fund. State individual income tax rates were last increased effective CY 1988.

Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003 all wagering taxes earned by the State were deposited into the Build Indiana Fund. Legislation passed by the Special Session of the 2002 General Assembly changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposes a graduated wagering tax on riverboats that adopt flexible scheduling. The graduated tax is set at 15% of the first \$25.0 million of adjusted gross receipts in a fiscal year, 20% of receipts between \$25.0 million and \$50.0 million, 25% of receipts between \$50.0 million and \$75.0 million, 30% of receipts between \$75.0 million and \$150.0 million, and 35% of adjusted gross receipts in excess of \$150.0 million. The wagering tax on riverboats that do not implement flexible scheduling increased from 20% to 22.5% of adjusted gross receipts; however, all riverboats operating in Indiana have implemented flexible scheduling.

The legislation also changed the distribution of wagering taxes. The first \$33.0 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations,

and 75% is deposited in the PTR Fund. From the revenue distributed to the PTR Fund, an amount is distributed annually to the Build Indiana Fund.

Other Operating Revenues. Other Operating Revenues are derived from Cigarette Taxes, Alcoholic Beverage Taxes, Inheritance Taxes, Insurance Taxes, Interest Earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by \$0.40 per pack, to \$0.555 per pack, and increased the tax on other tobacco products by 3%.

Revenue History

Annual percentage changes for each component of Operating Revenues are reflected in Table IV-1. The table also includes actual revenue for prior Fiscal Years as well as forecasted revenue for Fiscal Years 2003, 2004 and 2005.

Table IV-1
State Operating Revenues
(Millions of Dollars)

	<u>Sales Tax</u>	<u>Individual Income</u>	<u>Corporate Income</u>	<u>Wagering Tax</u>	<u>Other</u>	<u>Total</u>
FY 1998	3,250.9	3,434.8	1,015.5	N/A	720.2	8,421.4
FY 1999	3,396.0	3,699.3	1,044.4	N/A	743.5	8,883.2
FY 2000	3,651.4	3,753.3	985.3	N/A	752.7	9,142.7
FY 2001	3,686.8	3,779.8	855.3	N/A	730.1	9,052.0
FY 2002	3,761.4	3,540.8	709.4	N/A	697.2	8,708.8
Forecasted FY 2003 ⁽¹⁾	4,224.6	3,715.5	550.3	425.4	959.7	9,875.5
Forecasted FY 2004 ⁽¹⁾	4,883.0	3,839.2	558.8	537.0	874.5	10,692.5
Forecasted FY 2005 ⁽¹⁾	5,122.1	4,033.0	578.4	591.3	867.5	11,192.3
<u>% Change from Prior Year</u>						
FY 1999	4.5%	7.7%	2.8%		3.2%	5.5%
FY 2000	7.5%	1.5%	-5.7%		1.2%	2.9%
FY 2001	1.0%	0.7%	-13.2%		-3.0%	-1.0%
FY 2002	2.0%	-6.3%	-17.1%		-4.5%	-3.8%
Forecasted FY 2003 ⁽¹⁾	12.3%	4.9%	-22.4%	N/A	37.7%	13.4%
Forecasted FY 2004 ⁽¹⁾	15.6%	3.3%	1.5%	26.3%	-8.9%	8.3%
Forecasted FY 2005 ⁽¹⁾	4.9%	5.0%	3.5%	10.1%	-0.8%	4.7%

⁽¹⁾ The forecasted Operating Revenues are adjusted to reflect the tax increases enacted in 2002, which include a sales tax increase from 5% to 6% effective December 1, 2002; a cigarette tax increase from \$0.155 to \$0.555 effective July 1, 2002; and wagering tax increases, effective July 1, 2002. A portion of wagering tax revenues are deposited in the PTR Fund. See "Financial Results of Operations" and "Federal Aid."

Source: State Budget Agency

Lottery and Gaming Revenues

By statute, certain revenues from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenues") must be deposited in the Build Indiana Fund. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of \$250.0 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of \$250.0 million is to remain in the PTR Fund. For a description of wagering taxes, see "Major General Fund and PTR Fund Revenue Sources—Wagering Tax."

Before Hoosier Lottery profits are transferred to the Build Indiana Fund, \$60 million annually is used to fund local government pension liabilities. All lottery and gaming revenues deposited to BIF are appropriated by the General Assembly, and the statute that governs deposits of those revenues also governs priority of distribution in the event that revenues fall short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State's counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles—\$236.2 million for Fiscal Year 2003.

For Fiscal Year 2002, Gaming Revenues totaling \$472.4 million were collected by the State from the following sources:

Hoosier Lottery	\$166.1 million
Riverboat gaming	285.1 million
Horse racing	3.4 million
Charity gaming	4.0 million
Interest earnings	13.7 million

Source: State Budget Agency

Operating Expenditures

The legislature appropriated \$20,709.7 million of General Fund and PTR Fund revenues for Fiscal Years 2002 and 2003; this represents a 5.5% increase from the previous biennium. Actual expenditures may differ from appropriated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State's five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and Correction. These five categories constitute 83.8% of all appropriations for Fiscal Years 2002 and 2003. Table IV-2 sets forth operating expenditures, estimates and appropriations for all major expenditure categories for Fiscal Years 1998 through 2005.

Table IV-2
Expenditures and Appropriations
(Millions of Dollars)

	<u>1998⁽¹⁾</u>	<u>1999⁽¹⁾</u>	<u>2000⁽¹⁾</u>	<u>2001⁽¹⁾</u>	<u>2002⁽¹⁾</u>	<u>2003⁽²⁾</u>	<u>2004⁽³⁾</u>	<u>2005⁽³⁾</u>
Local School Aid	3,423.1	3,691.8	3,894.0	4,172.8	3,889.5	4,230.3	4,253.6	4,302.5
Higher Education	1,180.5	1,248.0	1,331.5	1,331.3	1,294.7	1,400.3	1,474.4	1,527.7
Property Tax Relief	873.3	946.7	1,078.6	1,220.0	1,209.9	1,755.8	2,115.2	2,243.9
Medicaid	913.3	948.5	986.1	1,110.9	1,138.0	1,248.8	1,266.4	1,266.4
Correction	403.9	410.9	473.5	547.2	582.1	577.5	589.3	591.4
Other	1,504.3	1,802.4	1,829.8	1,635.5	1,592.9	1,590.6	1,581.9	1,573.9
Total	8,298.4	9,048.3	9,593.5	10,017.7	9,707.1	10,803.3	11,280.8	11,505.8

⁽¹⁾ Actual expenditures

⁽²⁾ Estimated expenditures. See "Financial Results of Operations" and "Federal Aid."

⁽³⁾ Appropriations made by 2003 General Assembly under HEA 2003-1001. See "Financial Results of Operations" and "Federal Aid."

Source: State Budget Agency

Local School Aid. Funding for elementary and secondary education is the State's largest operating expense. Local school aid is payable from both the General Fund and PTR Fund and includes distributions for programs such as assessment and performance, as well as tuition support. As a matter of long-standing fiscal policy, the General Assembly funds increases in local school aid above the State base by appropriating one-half of the increases from the General Fund and one-half of such increases from the PTR Fund. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation passed in 2002, the State will provide approximately 85% of the school corporations' general fund budgets. See "Operating Expenditures—Property Tax Relief."

Local school aid formula funding for tuition support on a school corporation-by-school corporation basis will increase by an average of 3.5% for Fiscal Year 2004 and 1.1% for Fiscal Year 2005 when compared to Fiscal Year 2003 appropriations, with each school corporation receiving a guaranteed minimum increase of 1.0% in tuition support. Combined local school aid expenditures for Fiscal Year 2002 from the Combined General and PTR Fund totaled \$3,889.5 million, a decrease of 6.8% from Fiscal Year 2001, and constituted 40.1% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. The decrease resulted from a delay in making local school aid payments in Fiscal Year 2002. Combined local school aid appropriations for Fiscal Year 2003 from the Combined General and PTR Fund total \$4,241.3 million, an increase of 1.4% from Fiscal Year 2002. Estimated expenditures for Fiscal Year 2003 are \$4,230.3 million. Local school aid appropriations for Fiscal Year 2004 from the Combined General and PTR Fund total \$4,253.6 million, an increase of 0.3% from Fiscal Year 2003 appropriations. Local school aid appropriations for Fiscal Year 2005 from the Combined General and PTR Fund total \$4,302.5 million, an increase of 1.1% from Fiscal Year 2004. See "Financial Results of Operations."

Higher Education. The second largest operating expenditure, payable solely from the General Fund, is aid to higher education. The State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech State College, Purdue University, University of Southern Indiana and Vincennes University. Expenditures for higher education for Fiscal Year 2002 totaled \$1,294.7 million, a decrease of 2.7% from Fiscal Year 2001, and constituted 13.3% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. The decrease resulted from a delay in making higher education aid payments in Fiscal Year 2002. Higher education appropriations for Fiscal Year 2003 total \$1,411.1 million, an increase of 0.01% when compared to Fiscal Year 2002; however, estimated expenditures for Fiscal Year 2003 are \$1,400.3 million, making higher education the third largest operating expenditure. Higher education appropriations for Fiscal Year 2004 total \$1,474.4 million, an increase of 4.5% from Fiscal Year 2003. Higher education appropriations for Fiscal Year 2005 total \$1,527.7 million, an increase of 3.6% from Fiscal Year 2004. Appropriations for higher education include money used to pay debt service and other amounts on qualified state university and college debt. See "Financial Results of Operations" and "STATE INDEBTEDNESS."

Property Tax Relief. The third largest operating expenditure, payable solely from the PTR Fund, is for local property tax relief. Spending for property tax relief primarily consists of the Property Tax Relief Credit ("PTR Credits"), which has traditionally reduced local property taxes by 14% to 15%, and the Homestead Credit, which reduces residential property taxes by 10%. Property tax relief expenditures for Fiscal Year 2002 totaled \$1,209.9 million, a decrease of 0.8% from Fiscal Year 2001, and constituted 12.5% of Combined General and PTR Fund expenditures for Fiscal Year 2002 for this category. Actual expenditures for property tax relief in Fiscal Year 2002 constituted 102.6% of appropriations. This increase in expenditures is a result of changes to the Property Tax Relief Credit, increasing the Homestead Credit to 20%, and increasing local school aid. Property tax relief appropriations for Fiscal Year 2003 totaled \$1,731.4 million, an increase of 46.8% from Fiscal Year 2002. Estimated expenditures for Fiscal Year 2003 are \$1,755.8 million, making property tax relief the second largest operating expenditure. Property tax relief appropriations for Fiscal Year 2004 total \$2,115.2 million, an increase of 22.2% from Fiscal Year 2003. Property tax relief appropriations for Fiscal Year 2005 total \$2,243.9 million, an increase of 6.1% from Fiscal Year 2004.

Legislation passed in 2002 replaces the PTR Credits with a 60% credit for school corporations' general fund tax levy on local property taxes through a State-paid Property Tax Replacement Credit as of January 1, 2003. This measure effectively increases the percentage of local school corporations' general fund budgets paid by the State from approximately 66% to approximately 85%. Additionally, the legislation increased the Homestead Credit from 10% to 20%, beginning in 2003. See "Operating Expenditures—Local School Aid."

Medicaid. The fourth largest operating expenditure, payable largely from the General Fund, is the State's share of Medicaid assistance. State General Fund expenditures for Medicaid for Fiscal Year 2002 totaled \$1,138.0 million, an increase of 2.4% from Fiscal Year 2001, and constituted 11.7% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Medicaid in Fiscal Year 2002 constituted 97.2% of appropriations for the category. Medicaid appropriations for Fiscal Year 2003 from the General Fund total

\$1,248.8 million, an increase of 6.6% from Fiscal Year 2002. Estimated expenditures for Medicaid in Fiscal Year 2003 are \$1,248.8 million. Medicaid appropriations for each of Fiscal Year 2004 and Fiscal Year 2005 from the General Fund are \$1,266.4 million, an increase of 1.4% from Fiscal Year 2003.

In Fiscal Year 2002, 32.7% of Medicaid spending was funded from the General Fund. State dedicated funds and Federal funds constitute the balance of Medicaid spending. Nursing home care is the largest component of total Medicaid spending (State and Federal), about \$827.0 million for Fiscal Year 2002, an increase of 2.6% from Fiscal Year 2001. Prescription drug costs are the second largest, and fastest growing, component of total Medicaid spending, with costs of \$627.7 million in Fiscal Year 2002, an increase of 18.9% from Fiscal Year 2001. Hospital services is the third largest component of total Medicaid spending, about \$574.4 million for Fiscal Year 2002, a decrease of 0.2% from Fiscal Year 2001.

Medicaid enrollment is one of the most significant drivers of Medicaid costs. Medicaid enrollment steadily increased from 454,643 people in 1998 to 737,036 people in 2002, or by 62.1%.

Correction. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Correction. Appropriations for the Department of Correction include funds for incarceration, rehabilitation and parole programs. State General Fund expenditures for Correction for Fiscal Year 2002 totaled \$582.1 million, an increase of 6.4% from Fiscal Year 2001, and constituted 6.0% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Correction in Fiscal Year 2002 constituted 102.9% of appropriations for this category. This increase is a result of transferring the medical services fund from the State Family and Social Services Agency to the Department of Correction. Correction appropriations for Fiscal Year 2003 total \$569.0 million, an increase of 0.5% from Fiscal Year 2002. Estimated expenditures for Correction for Fiscal Year 2003 are \$577.5 million. Correction appropriations for Fiscal Year 2004 total \$589.3 million, an increase of 3.6% from Fiscal Year 2003. Correction appropriations for Fiscal Year 2005 total \$591.4 million, an increase of 0.4% from Fiscal Year 2004.

Population is one of the most significant drivers of Correction expenditures. Correctional population steadily increased from 19,720 in 1998 to 23,172 in 2002, or by 17.5%. Population is projected to increase 9.7% by the end of Fiscal Year 2005.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. General Fund expenditures for all other expenditure categories for Fiscal Year 2002 totaled \$1,592.9 million, a decrease of 2.6% from Fiscal Year 2001, and constituted 16.4% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Other Categories in Fiscal Year 2002 constituted 93.7% of appropriations for the category. Other Categories appropriations for Fiscal Year 2003 from the General Fund total \$1,872.5 million, an increase of 10.2% from Fiscal Year 2002. Other Categories appropriations for Fiscal Year 2004 from the General Fund total \$1,581.9 million, a decrease of 15.5% from Fiscal Year 2003. Estimated expenditures for Fiscal Year 2003 are \$1,590.6 million. Other Categories appropriations for Fiscal Year 2005 from the General Fund total \$1,573.9 million, a decrease of 0.5% from Fiscal Year 2004.

Expenditure Limits. In 2002, the General Assembly enacted a law to establish that the maximum annual percentage change in State government expenditures be based on the percentage change in Indiana non-farm personal income during the past six calendar years. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgments and settlements, distributions of specified State tax revenues to local governments, and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limit. The expenditure limit is applied to appropriations from the General Fund, the PTR Fund and the Rainy Day Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average

increase in Indiana non-farm personal income and six percent. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The spending cap limits expenditure increases to 3.5% per annum for each of Fiscal Year 2004 and Fiscal Year 2005.

Fund Balances

The State has four primary funds that build or hold unappropriated reserves: the Rainy Day Fund, the Tuition Reserve, the Combined General and PTR Fund and the Medicaid Reserve and Contingency Account. Each of these funds is described below.

Rainy Day Fund. In 1982, the General Assembly established the Counter-Cyclical Revenue and Economic Stabilization Fund, commonly called the “Rainy Day Fund.” One of three primary funds into which general purpose tax revenues are deposited, the Rainy Day Fund is essentially a State savings account that permits the State to build up a fund balance during periods of economic expansion for use during periods of economic recession.

Each year the State Budget Director determines calendar year Adjusted Personal Income (“API”) for the State and its growth rate over the previous year. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0% and moneys are withdrawn automatically from the Rainy Day Fund if API declines by more than 2.0%. No automatic withdrawal from the Rainy Day Fund has occurred; however, the General Assembly has authorized money to be transferred from the Rainy Day Fund to the General Fund from time to time during periods of economic recession. In addition, the General Assembly has authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. *See* “Financial Results of Operations.”

During a Fiscal Year when a transfer is made to the Rainy Day Fund, if General Fund revenues are less than estimated (and the shortfall cannot be attributed to a statutory change in the tax rate, tax base, fee schedules or revenue sources from which the revenue estimates were made), an amount reverts to the General Fund from the Rainy Day Fund equal to the lesser of (a) the amount initially transferred to the Rainy Day Fund during the Fiscal Year and (b) the amount necessary to maintain a positive balance in the General Fund for the Fiscal Year.

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Money in the Rainy Day Fund at the end of a Fiscal Year does not revert to the General Fund. If the balance in the Rainy Day Fund at the end of a Fiscal Year exceeds 7.0% of total General Fund revenues for the Fiscal Year, the excess is transferred from the Rainy Day Fund to the PTR Fund. *See* Table IV-3 for Rainy Day Fund balances and other information about this Fund.

Tuition Reserve. The Tuition Reserve is essentially a cash flow device that is intended to assure that the State has sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimates and establishes the Tuition Reserve for the ensuing Fiscal Year. *See* Table IV-3 for Tuition Reserve Fund balances.

Medicaid Reserve. In 1995, the General Assembly established the Medicaid Reserve and Contingency Account to provide a reserve to fund timely payments of Medicaid claims, obligations and liabilities. The Medicaid Reserve was designed to represent the estimated amount of obligations that were incurred, but remained unpaid, at the end of a Fiscal Year. The Medicaid Reserve is currently unfunded; in 2001, the General Assembly authorized the money in the Medicaid Reserve to be used to fund Medicaid obligations during Fiscal Years 2002 and 2003. *See* Table IV-3 for Medicaid Reserve Fund balances.

Combined General and PTR Fund. The PTR Fund was created by statute in Fiscal Year 1973. It is funded from revenues from the State sales and use tax, a portion of individual income tax receipts and wagering taxes. The PTR Fund is used (1) to replace local property tax levies (“PTR Credits”), which were reduced through PTR Credits under the same statute that created the PTR Fund; and, (2) for local school aid. To the extent that the PTR Fund does not have sufficient revenues to make authorized payments, General Fund transfers must be made to the PTR Fund.

The General Fund and the PTR Fund are the primary funds into which general purpose tax revenues, or Operating Revenues, are deposited or transferred. As previously stated, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a more complete and accurate description of the State's Operating Revenues and discretionary spending, especially for local school aid and property tax relief. As a result, the General Fund and the PTR Fund are sometimes discussed in this statement as a single, combined fund.

Financial Results of Operations

Fiscal Years 2002 and 2003. *Introduction.* The General Assembly passed a State budget for Fiscal Years 2002 and 2003 that called for Combined General and PTR Fund spending of \$10,211.9 million in Fiscal Year 2002 (an increase of 1.6% from FY 2001), and \$10,497.8 million in Fiscal Year 2003 (an increase of 2.8% from FY 2002). In passing the biennial budget, the General Assembly authorized \$666.4 million more spending than forecasted Operating Revenues would permit in Fiscal Year 2002 and \$510.9 million more spending than forecasted Operating Revenues would permit in Fiscal Year 2003. As a result, the General Assembly anticipated spending a total of \$1,177.3 million more than forecasted Operating Revenue during the current budget biennium. (Forecasted Operating Revenues do not include dedicated funds and accounts available to be appropriated, and in some cases actually appropriated, by the General Assembly for budget purposes.)

As the national economic recession took hold, forecasted State Operating Revenues were hard hit. The recession effectively erased approximately \$1,640.0 million of forecasted Operating Revenues during Fiscal Years 2002 and 2003, further exacerbating the budget deficit.

Fiscal Year 2002. To address the revenue shortfall and reduce the budget deficit in Fiscal Year 2002, the State administration used general statutory authority and measures specifically authorized in the biennial budget, including transfers from the following funds and accounts to the General Fund:

Lottery and Gaming Surplus Account:	\$200.0 million
Rainy Day Fund	277.1 million
Medicaid Reserve and Contingency Fund	100.0 million

In addition, the Finance Board authorized transfers from a number of dedicated funds and accounts to the General Fund and the PTR Fund:

Build Indiana Fund	\$247.5 million
Veterans Memorial School Construction Fund	37.0 million
State Highway Fund	30.0 million
Other Dedicated Funds, Accounts	127.0 million

(All but \$45.2 million of the \$441.5 million of Finance Board-authorized transfers were used in Fiscal Year 2002.)

The State also delayed making \$373.8 million of local school aid and higher education payments in Fiscal Year 2002.

In addition to the transfers and payment delays, the State administration required agencies to cut their operating budgets by 7% and implemented hiring and salary freezes, resulting in \$145.1 million of reduced spending in Fiscal Year 2002 (excluding reductions in forecasted Medicaid spending).

At the end of Fiscal Year 2002, the State's Total Combined Balance (General Fund, Rainy Day Fund, Tuition Reserve and Medicaid Reserve and Contingency Fund balances) was \$534.2 million or 6.1% of Operating Revenue (that is, tax revenues, certain fees and DSH revenue deposited in the General Fund or the PTR Fund). See Table IV-3 for actual Fiscal Year 2002 results, including actual State Operating Revenues, transfers and fund balances.

Fiscal Year 2003. Near the end of Fiscal Year 2002, the General Assembly met in a special session called by Governor O'Bannon and passed HEA 2002-1001 (ss), which included an estimated \$559.7 million in budget relief as well as tax restructuring. Higher sales and use taxes and increased taxes on gambling and tobacco products were designed to address the revenue shortfall, reduce the budget deficit and offset some of the cost of the tax restructuring. Streamlined corporate income taxes and the phase out of personal property taxation of business inventories were designed to encourage business investment. Additional property tax relief for homeowners was expected to reduce the potentially negative effects of the state-wide property tax reassessment which is currently underway. (Tax restructuring will increase future Combined General and PTR Fund expenditures, especially for property tax relief.)

Even taking into account forecasted increases in State Operating Revenue resulting from the enactment of HEA 2002-1001 (ss), the Fiscal Year 2003 budget continues to be out of balance. The soft economy, threat of war, war and worse than normal winter weather resulted in lower than forecasted sales tax revenues. The State administration is again using general statutory authority and measures specifically authorized in the biennial budget to reduce the budget deficit, including fund and account transfers, payment delays (another \$328.4 million in Fiscal Year 2003) and spending cuts. The Budget Agency is working to achieve Fiscal Year 2003 reversions totaling \$421.5 million through reduced spending by State agencies (including holding Medicaid spending to below forecast), and elimination of unspent capital and operating accounts. By the end of Fiscal Year 2003, the State administration expects to have reduced Medicaid spending from forecast by \$250.0 million.

At the end of Fiscal Year 2003, the Budget Agency estimates that the State's Total Combined Balance (General Fund, Rainy Day Fund, Tuition Reserve and Medicaid Reserve and Contingency Fund balances) will be \$510.4 million or 5.1% of Operating Revenue (that is, tax revenues, certain fees and DSH revenue deposited in the General Fund or the PTR Fund).

See Table IV-3 for estimated Fiscal Year 2003 results, including State Operating Revenues, transfers, reversions and fund balances.

Fiscal Years 2004 and 2005. The General Assembly passed a State budget for Fiscal Years 2004 and 2005 that calls for Combined General and PTR Fund spending of \$11,280.6 million in Fiscal Year 2004 (an increase of 1.9% from Fiscal Year 2003) and \$11,505.7 million in Fiscal Year 2005 (an increase of 2.0% from Fiscal Year 2004). In passing the biennial budget, the General Assembly authorized \$810.8 million more spending than forecasted Operating Revenues would permit in Fiscal Year 2004 and \$645.5 million more spending than forecasted Operating Revenues would permit in Fiscal Year 2005. As a result, the General Assembly anticipates spending a total of \$1,456.3 million more than forecasted Operating Revenue during the forthcoming budget biennium. (Forecasted Operating Revenues do not include dedicated funds and accounts available to be appropriated, and in some cases actually appropriated, by the General Assembly for budget purposes.)

The biennial budget was based on forecasted Fiscal Year 2004 revenue of \$10,692.5 million (an increase of 8.3% from final forecasted Fiscal Year 2003 revenue) and forecasted Fiscal Year 2005 revenue of \$11,192.3 million (an increase of 4.7% from forecasted Fiscal Year 2004 revenue). The forecasted revenue increase for Fiscal Year 2004 primarily reflects the implementation of the Fiscal Year 2002 tax increases and expected improvements in the national economy, while the revenue increase for Fiscal Year 2005 primarily reflects expected improvements in the national economy.

To balance the budget, the General Assembly authorized the transfer of dedicated funds to the General Fund or the PTR Fund, including:

Rainy Day Fund	\$220.0 million
Pension Stabilization Fund	380.0 million
Public Deposit Insurance Fund	50.0 million
Other Dedicated Funds	57.0 million

In addition, the General Assembly specifically authorized the Budget Agency, with the approval of the Governor and after Budget Committee review, (a) "to withhold allotments of any or all appropriations . . . , if it is considered necessary . . . to prevent a deficit financial situation"; and (b) transfer from the Rainy Day Fund to the

General Fund “an amount necessary to maintain a positive balance” in the General Fund. Rainy Day Fund balances may not be sufficient to provide further budget relief.

Funding the State share of Medicaid assistance and Department of Correction needs are two of the challenges the State administration will confront in managing the budget for Fiscal Years 2004 and 2005. The General Assembly effectively maintained Medicaid appropriations for Fiscal Years 2004 and 2005 at Fiscal Year 2003 levels and limited growth in Correction appropriations for the budget biennium. The budget for Medicaid was established despite a State forecast that (1) estimated additional forecasted expenditures of \$60.3 million in Fiscal Year 2004 and \$157.9 million in Fiscal Year 2005, and (2) assumed that the State administration would realize \$355.0 million of Medicaid spending reductions from forecast during the budget biennium. The Medicaid budget for Fiscal Years 2004 and 2005 means that the State will need to realize an additional \$218.2 million of Medicaid spending reductions from forecast during Fiscal Years 2004 and 2005 to avoid overspending the appropriations.

Department of Correction appropriations increase modestly in Fiscal Years 2004 and 2005; however, the State administration is concerned that the Correction budget is inadequate to meet the demands of a growing prisoner population, including the operation of new correctional facilities. *See* “Operating Expenditures—Correction.”

The Budget Agency has advised State agencies receiving General Fund appropriations that it will reduce through the allotment process (i) 5.0% of each agency’s appropriation for Fiscal Years 2004 and 2005, and (ii) 50.0% of each agency’s appropriation for repair and rehabilitation expenditures for such fiscal years. The Budget Agency’s action is not applicable to Medicaid program or Correction expenditures.

At the end of Fiscal Year 2004, the Budget Agency estimates that the State’s Total Combined Balance will be \$295.8 million or 2.7% of Operating Revenues. At the end of Fiscal Year 2005, the Budget Agency estimates that the State’s Total Combined Balance will be \$324.8 million or 2.9% of Operating Reserves. *See* Table IV-3 for estimated Fiscal Year 2004 and Fiscal Year 2005 results, including estimated State Operating Reserves, transfers and fund balances.

Table IV-3 sets forth the Budget Agency’s unaudited end-of year combined balance statements and estimates and projections, including revenues and other resources, expenditures and balances at the end of each Fiscal Year. For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency’s “working” statements may differ from the results included in the 2002 Financial Report and the Auditor of State’s other year-end comprehensive annual financial reports. Forecasted revenues were developed by the Technical Forecast Committee, and actual revenues may be higher or lower than those forecasted. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2004 and 2005.

Federal Aid

The Budget Agency is evaluating the impact of the Jobs and Growth Tax Relief Act of 2003, which was recently passed by Congress and signed by the President. The foregoing discussion and Table IV-3 do not take into account the new federal act.

Under the new federal act, the Budget Agency expects that an additional \$168.1 million will be available to fund Medicaid expenditures in Fiscal Year 2004. In addition, the Budget Agency estimates that approximately \$207.0 million will be available in Fiscal Year 2004 to fund “essential governmental expenditures” and “unfunded mandates” within the meaning of the new federal act.

Although the new federal act eases some pressure on the budget for Fiscal Years 2004 and 2005, the Budget Agency has advised State agencies that it will continue to enforce General Fund spending reductions through the allotment process for operating and repair and rehabilitation expenditures.

Table IV-3
General Fund and Property Tax Replacement Fund
Combined Statement of New Actual and Estimated Unappropriated Reserve
(Millions of Dollars)

	Actual FY2001	Actual FY2002	(1) Estimated FY2003	(1) Estimated FY2004	(1) Estimated FY2005
Resources					
Working Balance at July 1	832.6	18.6	0.0	0.9	0.2
Current Year Resources					
Forecast Revenue	9,052.0	8,708.9	9,875.5	10,692.5	11,192.3
DSH	70.9	87.0	66.3	66.3	66.3
HEA 1001-2003 ⁽¹⁾	-	-	(26.0)	176.0	68.1
Other Revenue Sources of Transfers In					
Transfer from Lottery & Gaming Surplus Acct. (BIF)	-	200.0	175.0	-	-
Transfer from Medicaid Reserve to General Fund	103.4	100.0	-	-	-
Transfer from Dedicated Fund Balances	-	396.3	206.0	107.0	29.9
Transfer From (To) Rainy Day Fund	46.3	277.1	30.0	220.0	-
Total Current Year Resources	9,272.6	9,769.3	10,326.8	11,261.8	11,356.6
Total Resources	10,105.2	9,787.9	10,326.8	11,262.7	11,356.8
Uses: Appropriations, Expenditures and Reversions					
Appropriations					
Budgeted Appropriations	10,159.3	10,211.9	11,013.8	11,280.6	11,505.7
Adjustments to Appropriations ⁽²⁾	(15.7)	93.1	135.0	-	-
Deficiency Appropriations	66.8	0.1	19.4	-	-
Appropriations Transfer (FY 2000 capital appropriations)	(88.3)	-	-	-	-
Medicaid Shortfall	58.5	-	-	-	-
K-12 Education, HEA 1196 – 2002	-	-	(148.1)	-	-
Total Appropriations	10,180.6	10,305.1	11,020.1	11,280.6	11,505.7
Other Expenditures and Transfers					
Judgments and Settlements ⁽³⁾	7.0	3.8	55.7	8.0	8.0
Total Appropriations and Expenditures	10,187.6	10,308.9	11,075.8	11,288.6	11,513.7
Payment Delays					
Higher Education Allotment	-	(94.2)	(2.9)	-	-
Tuition Support Distribution	-	(279.5)	(11.0)	-	-
Property Tax Replacement Credit	-	-	(314.5)	-	-
Reversions	(102.9)	(145.1)	(421.5)	(26.0)	(185.4)
Total Net Uses	10,084.7	9,790.1	10,325.9	11,262.6	11,328.3
Auditor's Adjustment	1.9	(2.2)	-	-	-
General Fund Reserve Balance at June 30	18.6	0.0	0.9	0.2	28.4
Reserved Balances					
Medicaid Reserve	100.0	-	-	-	-
Tuition Reserve	265.0	265.0	265.0	265.0	265.0
Rainy Day Fund ⁽⁴⁾	526.0	269.2	244.5	30.6	31.4
Total Combined Balances	909.6	534.2	510.4	295.8	324.8
Payment Delay Liability	-	(373.8)	(702.1)	(702.1)	(702.1)
Combined Balance as a Percent of Operating Revenue	10.0%	6.1%	5.1%	2.7%	2.9%

Totals may not add as a result of rounding.

¹ Forecasted revenue is based on information provided by the Technical Forecast Committee, while other resources and uses are estimated by the Budget Agency. The resources identified in the HEA 1001-2003 line result from actions authorized by the General Assembly pursuant to HEA 1001-2003, the State budget for Fiscal Years 2004 and 2005. See "Financial Results of Operations" and "Federal Aid."

² Adjustments to appropriations by augmentation, transfer and open-ended appropriations and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total. FY 2003 includes an additional appropriation of \$135.0 million for motor vehicle excise tax obligations not met by the Lottery and Gaming Surplus Account.

³ Represents the estimated cost to the State of judgments and other legal and equitable claims, as well as the Budget Agency's best current estimate of the cost of Medicaid expenditures that will be incurred by the State, and paid from the General Fund, in FY 2003 as a result of the Indiana Supreme Court decision in *Humphreys v. Day*. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. See "LITIGATION."

⁴ Includes \$31.0 million of loans to local governments authorized by the General Assembly. Such loans are illiquid.

Source: State Budget Agency

V. STATE INDEBTEDNESS

Constitutional Limitations on State Debt

Under Article X, Section 5 of the State constitution, the State may not incur indebtedness except to meet casual deficits in revenues; to pay interest on State debt; or to repel invasion, suppress insurrection or, if hostilities are threatened, to provide for the public defense. The State has no indebtedness outstanding under the Indiana constitution. See "FISCAL POLICIES—State Board of Finance."

Other Debt, Obligations

Substantial indebtedness anticipated to be paid from State appropriations is outstanding, however, together with State university and college debt and what are described below as "contingent obligations." In addition, the commissions and authorities described below may issue additional debt or incur other obligations from time to time to finance additional facilities or projects or to refinance such facilities or projects. The type, amount and timing of such additional debt or other obligations are subject to a number of conditions that cannot be predicted at present. See "STATE INDEBTEDNESS—Authorized but Unissued Debt."

Obligations Payable from Possible State Appropriations

The General Assembly has created certain financing entities, including the State Office Building Commission, the Transportation Finance Authority and the Recreational Development Commission, which are each public bodies corporate and politic and separate from the State. These financing entities have been granted the authority to issue revenue bonds and other obligations to finance the construction, reconstruction and equipping of various capital projects. Certain agencies, including the Department of Administration, the Department of Transportation, the Department of Natural Resources and the Indianapolis Airport Authority (under an agreement with the Department of Commerce) have entered into use and occupancy agreements or lease agreements with the financing entities. Lease rentals due under the agreements are payable primarily from possible appropriations of State funds by the General Assembly. However, there is and can be under State law no requirement for the General Assembly to make any such appropriations for any facility in any Fiscal Year. No trustee or holder of any revenue bond issued by any financing entity may legally compel the General Assembly to make any such appropriations. Revenue bonds issued by any of the financing entities do not constitute a debt, liability or pledge of the faith and credit of the State within the meaning of any constitutional provision or limitation. Such use and occupancy agreements, lease agreements and other obligations do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation. Following is a description of the entities that have issued bonds and the projects that have been financed with the proceeds and which are subject to use and occupancy agreements or lease agreements.

State Office Building Commission. The State Office Building Commission (the "Building Commission") is authorized pursuant to Indiana Code 4-13.5 to issue revenue bonds to finance or refinance the cost of acquiring, constructing and equipping of buildings, structures, improvements or parking areas owned or leased by the Building Commission or the State for the purpose of (a) housing the personnel or activities of State agencies or branches of State government; (b) providing transportation or parking for State employees or persons having business with State government; (c) providing a building, structure or improvement for the custody, care, confinement or treatment of committed persons under the supervision of the State Department of Correction; (d) providing a building, structure or improvement for the care, maintenance or treatment of persons with mental or addictive disorders; (e) providing regional health facilities; (f) providing communications system infrastructure; and (g) providing laboratory facilities.

Pursuant to this general authority, as well as specific findings of need by the General Assembly, the Building Commission has issued revenue bonds to finance or refinance various projects. For a list of the indebtedness of the Building Commission, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

The Building Commission also provides short-term, or construction, financing for authorized projects through issuance and sale of “Hoosier Notes.” Hoosier Notes are payable from revenue bonds issued by the Building Commission.

Transportation Finance Authority—Highway Financing. The Indiana Transportation Finance Authority (the “TFA”) was established in 1988 under Indiana Code 8-9.5-8, as the successor to the Indiana Toll Finance Authority. The TFA is a body corporate and politic separate from the State. When the General Assembly established the TFA, it enacted Indiana Code 8-14.5, which authorizes the TFA to (a) undertake projects to construct, acquire, reconstruct, improve and extend the State’s highways, bridges, streets and roads; (b) lease such projects to the Indiana Department of Transportation; and (c) issue revenue bonds to finance or refinance such projects.

Pursuant to this authority, the TFA has issued revenue bonds to finance the construction, acquisition, reconstruction, improvement and extension of the State’s highways, bridges, streets and roads throughout Indiana. For a list of the indebtedness of the TFA for Highway Financing, *see* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

Transportation Finance Authority—Aviation Financing. In 1991, the General Assembly enacted Indiana Code 8-21-12, which authorizes the TFA to finance improvements related to an airport or aviation related property or facilities, including the acquisition of real estate, by borrowing money and issuing revenue bonds from time to time. The authorizing legislation defines “aviation related property or facilities” as those properties or facilities that are utilized by a lessee, or a lessee’s assigns, who provides services or accommodations (a) for scheduled or unscheduled air carriers and air taxis and their passengers, air cargo operations and related ground transportation facilities, (b) for fixed based operations, (c) for general aviation or military users and (d) for aviation maintenance and repair facilities.

Airport Facilities. Pursuant to this authority, the TFA has issued revenue bonds to finance a portion of the costs of constructing and equipping improvements related to an airport and aviation related property and facilities at the Indianapolis International Airport (the “Airport Facilities”). For a list of the indebtedness of the TFA for Airport Facilities, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

Aviation Technology Center. In addition, the TFA issued revenue bonds to finance the costs of constructing and equipping an aviation technology center (the “Aviation Technology Center”) at Indianapolis International Airport. For a list of the indebtedness of the TFA for the Aviation Technology Center, *see* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, *see* “STATE INDEBTEDNESS—Contingent Obligations—Transportation Finance Authority—Toll Road Financing.”

Recreational Development Commission. The Indiana Recreational Development Commission (the “Recreation Commission”) was created in 1973 by Indiana Code 14-14-1 and is responsible for the acquisition, construction, improvement, operation and maintenance of public recreational facilities and for facilitating, supporting and promoting the development and use of parks of the State. Pursuant to Indiana Code 14-14-1-21, the Recreation Commission and the State’s Department of Natural Resources (the “DNR”) may enter into agreements setting forth the terms and conditions for the use of park improvements by the DNR and the sums to be paid by the DNR for such use.

Pursuant to this authority, the Recreation Commission has issued its revenue bonds to finance and refinance the costs of acquisition, construction, renovation, improvement and equipping of various facilities for public parks in

the State (the “Park Projects”). For a list of the indebtedness of the Recreation Commission, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

Indiana Bond Bank. A series of bonds issued by the Indiana Bond Bank are also payable from possible State appropriations, the Series 1998B Refunding Bonds issued to refund the Special Program Bonds, Series 1991 A. The Bond Bank issued the Series 1991 B Bonds to finance construction of the State’s Animal Disease and Diagnostic Laboratory (“ADDL”) at Purdue University, West Lafayette. *See* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, *see* “Contingent Obligations—Indiana Bond Bank” and Table V-5.

Debt Statement—Obligations Payable from Possible State Appropriations

Table V-1 lists, by issuing agency, long-term debt that is subject to possible State appropriations as of June 30, 2002.

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Table V-1
Schedule of Long Term Debt
Obligations Payable from Possible State Appropriations
(as of June 30, 2002)

Issuer/Series	Original Par Amount	Ending Balance 6/30/01	(Redeemed)/ Issued	Ending Balance 6/30/02
Building Commission				
Government Center Parking Facilities				
Series 1990A	\$ 26,669,824	\$ 10,475,690	\$ (671,076)	\$ 9,804,613
Series 1993A	42,410,000	33,335,000	(2,050,000)	31,285,000
Subtotal	\$ 69,079,824	\$ 43,810,690	\$ (2,721,076)	\$ 41,089,613
Government Center North				
Series 1990B	\$ 77,123,542	\$ 32,492,747	\$ (2,081,244)	\$ 30,411,503
Series 1993B	107,555,000	89,230,000	(4,145,000)	85,085,000
Subtotal	\$ 184,678,542	\$ 121,722,747	\$ (6,226,244)	\$ 115,496,503
Government Center South				
Series 1990C	\$ 18,063,800	\$ 7,089,520	\$ (453,430)	\$ 6,636,090
Series 1990D	110,675,000	53,710,000	-	53,710,000
Series 1993C	28,440,000	9,095,000	(420,000)	8,675,000
Series 2000B	43,400,000	43,400,000	(700,000)	42,700,000
Subtotal	\$ 200,578,800	\$ 113,294,520	\$ (1,573,430)	\$ 111,721,090
Correctional Facilities				
Series 1995A	\$ 54,025,000	\$ 52,790,000	\$ (455,000)	\$ 52,335,000
Series 1995B	47,975,000	45,475,000	(1,330,000)	44,145,000
Series 1998A	93,020,000	93,020,000	(2,450,000)	90,570,000
Series 1999A	96,785,000	94,020,000	(3,110,000)	90,910,000
Series 2000A	44,800,000	44,800,000	(1,600,000)	43,200,000
Series 2001A	66,600,000	66,600,000	-	66,600,000
Series 2002A	128,110,000	-	128,110,000	128,110,000
Subtotal	\$ 531,315,000	\$ 396,705,000	\$ 119,165,000	\$ 515,870,000
TOTAL SOBC	\$ 985,652,166	\$ 675,532,957	\$ 108,644,250	\$ 784,177,206
Transportation Finance Authority				
Highway Revenue Bonds				
Series 1990A	\$ 72,498,391	\$ 36,107,632	\$ (1,764,015)	\$ 34,343,617
Series 1992A	74,035,000	35,285,000	-	35,285,000
Series 1993A	193,531,298	146,116,298	(6,935,000)	139,181,298
Series 1996B	27,110,000	26,200,000	(250,000)	25,950,000
Series 1998A	175,360,000	175,360,000	(3,110,000)	172,250,000
Series 2000A	269,535,000	269,535,000	-	269,535,000
Subtotal	\$ 812,069,689	\$ 688,603,930	\$ (12,059,015)	\$ 676,544,915
Airport Facilities Bonds				
Series 1992A	\$ 201,320,000	\$ 52,040,000	\$ (5,640,000)	\$ 46,400,000
Series 1995A	29,720,000	27,585,000	(880,000)	26,705,000
Series 1996A	137,790,000	137,790,000	(745,000)	137,045,000
Subtotal	\$ 368,830,000	\$ 217,415,000	\$ (7,265,000)	\$ 210,150,000
Aviation Technology Bonds				
Series 1992A	\$ 11,630,000	\$ 9,700,000	\$ (9,700,000)	\$ -
Series 2002A	10,095,000	-	10,095,000	10,095,000
Subtotal	\$ 21,725,000	\$ 9,700,000	\$ 395,000	\$ 10,095,000
TOTAL TFA	\$ 1,202,624,689	\$ 915,718,930	\$ (18,929,015)	\$ 896,789,915
Recreation Commission				
Series 1994	\$ 19,285,000	\$ 18,575,000	\$ (275,000)	\$ 18,300,000
Series 1997	6,600,000	5,995,000	(215,000)	5,780,000
Subtotal	\$ 25,885,000	\$ 24,570,000	\$ (490,000)	\$ 24,080,000
TOTAL RDC	\$ 25,885,000	\$ 24,570,000	\$ (490,000)	\$ 24,080,000
ADDL, Series 1998B	\$ 10,830,000	\$ 8,645,000	\$ (665,000)	\$ 7,980,000
TOTAL ADDL	\$ 10,830,000	\$ 8,645,000	\$ (665,000)	\$ 7,980,000
TOTAL ALL BONDS	\$ 2,224,991,855	\$ 1,624,466,887	\$ 88,580,235	\$ 1,713,027,121

Source: State Budget Agency

Debt Service Schedule—Obligations Payable from Possible State Appropriations

Table V-2 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased).

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Table V-2
Scheduled Principal and Interest Payments
Payable from Possible State Appropriations

Issuer/Series	FY 2003	FY 2004	FY 2005	FY 2006	Thereafter
Building Commission					
Government Center Parking					
Series 1990A	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 14,765,625
Series 1993A	3,689,389	3,689,981	3,683,284	3,678,836	26,823,347
Subtotal	\$ 5,637,439	\$ 5,638,031	\$ 5,631,334	\$ 5,626,886	\$ 41,588,972
Government Center North					
Series 1990B	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 45,799,800
Series 1993B	8,603,809	8,597,976	8,592,396	8,581,026	85,340,884
Subtotal	\$ 14,645,689	\$ 14,639,856	\$ 14,634,276	\$ 14,622,886	\$ 131,140,684
Government Center South					
Series 1990C	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 9,995,065
Series 1990D	3,705,990	3,705,990	3,705,990	3,705,990	65,546,605
Series 1993C	875,280	878,780	875,738	876,105	8,699,688
Series 2000B ⁽¹⁾	8,799,000	8,686,500	8,461,500	8,319,000	19,849,500
Subtotal	\$ 14,697,360	\$ 14,588,360	\$ 14,360,318	\$ 14,218,185	\$ 104,090,858
Correctional Facilities					
Series 1995A	\$ 3,320,028	\$ 3,321,861	\$ 3,322,248	\$ 3,321,149	\$ 83,265,715
Series 1995B	3,858,843	3,853,508	3,853,695	3,849,435	57,231,528
Series 1998A	8,574,151	8,572,990	8,560,298	8,554,491	93,591,571
Series 1999A	7,870,431	7,869,119	7,857,575	7,853,675	109,144,269
Series 2000A ⁽¹⁾	4,104,000	4,102,500	4,000,500	3,993,000	53,292,000
Series 2001A ⁽¹⁾	3,996,000	5,697,000	5,683,500	5,664,000	95,500,500
Series 2002A	6,427,101	8,052,351	8,408,969	8,400,936	184,282,084
Subtotal	\$ 38,150,554	\$ 41,469,329	\$ 41,686,785	\$ 41,636,686	\$ 676,307,667
TOTAL SOBC	\$ 73,131,042	\$ 76,335,576	\$ 76,312,713	\$ 76,104,663	\$ 953,128,181
TFA					
Highway Revenue Bonds					
Series 1990A	\$ 6,150,288	\$ 6,150,288	\$ 6,150,288	\$ 4,255,288	\$ 45,945,488
Series 1992A	2,399,380	2,399,380	2,399,380	2,399,380	53,910,370
Series 1993A	13,853,698	13,848,263	13,858,773	12,608,425	190,384,262
Series 1996B	3,989,010	3,989,708	3,981,450	3,961,450	15,784,925
Series 1998A	12,098,890	12,108,846	12,088,328	18,669,828	214,203,386
Series 2000A	17,210,301	17,097,176	16,982,801	14,425,301	492,556,782
Subtotal	\$ 55,701,567	\$ 55,593,661	\$ 55,461,020	\$ 56,319,671	\$ 1,012,785,213
Airport Facilities Bonds					
Series 1992A	\$ 9,064,853	\$ 9,385,525	\$ 9,704,613	\$ 10,040,600	\$ 26,185,312
Series 1995A	2,420,893	2,469,868	2,512,723	2,558,595	30,514,282
Series 1996A	8,216,608	8,219,933	8,220,583	8,218,060	173,188,550
Subtotal	\$ 19,702,354	\$ 20,075,326	\$ 20,437,919	\$ 20,817,655	\$ 229,888,145
Aviation Technology Bonds					
Series 2002A	\$ 420,565	\$ 685,565	\$ 955,765	\$ 955,495	\$ 11,444,530
Subtotal	\$ 420,565	\$ 685,565	\$ 955,765	\$ 955,495	\$ 11,444,530
TOTAL TFA	\$ 75,824,484	\$ 76,354,550	\$ 76,854,701	\$ 78,092,821	\$ 1,254,117,888
Recreation Commission					
Series 1994	\$ 1,419,395	\$ 1,460,203	\$ 1,492,435	\$ 1,531,172	\$ 25,194,154
Series 1997	526,030	525,333	523,869	521,616	6,741,750
Subtotal	\$ 1,945,425	\$ 1,985,536	\$ 2,016,304	\$ 2,052,789	\$ 31,935,904
TOTAL RDC	\$ 1,945,425	\$ 1,985,536	\$ 2,016,304	\$ 2,052,789	\$ 31,935,904
ADDL, Series 1998B	\$ 1,042,894	\$ 1,043,475	\$ 1,042,434	\$ 1,044,740	\$ 5,734,930
TOTAL ADDL	\$ 1,042,894	\$ 1,043,475	\$ 1,042,434	\$ 1,044,740	\$ 5,734,930
TOTAL ALL BONDS	\$ 151,943,845	\$ 155,719,137	\$ 156,226,152	\$ 157,295,013	\$ 2,244,925,903

⁽¹⁾ Debt service on variable rate debt is determined by assuming an interest rate cap of 6%.

Source: State Budget Agency

Debt Ratios

Historically, Indiana's debt burden has remained well below the national average and compares favorably with its regional peers. The ratios of outstanding debt subject to possible State appropriation to population and personal income for the past nine years are reflected in Table V-3. The ratios do not reflect any state university or college indebtedness or contingent obligations.

Table V-3
Ratios of Outstanding Debt Subject to Possible Appropriation
to Population and Personal Income

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>Personal</u> <u>Income</u> ⁽¹⁾	<u>Outstanding Debt</u> <u>Subject to Appropriation</u>	<u>Debt/Capita</u> ⁽²⁾	<u>Debt/Income</u> ⁽³⁾
1993	5,739,019	\$ 114,675	\$ 1,001,051,854	\$ 174	0.9%
1994	5,793,526	121,537	1,030,787,646	178	0.8
1995	5,851,459	126,525	1,036,962,646	177	0.8
1996	5,906,013	132,890	1,119,537,646	190	0.8
1997	5,955,267	139,459	1,116,717,640	188	0.8
1998	5,998,880	149,318	1,240,092,643	207	0.8
1999	6,044,969	154,405	1,228,372,647	203	0.8
2000	6,080,485	164,543	1,569,341,152	258	1.0
2001	6,126,743	168,622	1,624,466,887	265	1.0
2002	6,159,068	173,932	1,713,027,121	278	1.0

(1) Personal Income is expressed in millions of dollars.

(2) According to Moody's 2002 State Debt Medians, the median debt per capita for all states was about \$573

(3) According to Moody's 2002 State Debt Medians, the median percentage for all states was about 2.3%

Source: United States Bureau of Census for population, United States Department of Commerce, Bureau of Economic Analysis for personal income, and State Budget Agency for outstanding debt.

Authorized but Unissued Debt

The 1999 General Assembly authorized the Building Commission to issue additional bonds to finance construction of a mental health facility in Evansville. The Building Commission is in the process of constructing the Evansville facility and anticipates completion in the second quarter of 2003. Total construction costs are not expected to exceed \$30 million.

The 2001 and 2003 General Assemblies authorized the Building Commission to issue bonds to finance four regional health centers. The Building Commission is planning and designing the centers. Construction of the new Logansport center is under way. The total construction cost for each center is expected to be between \$35 million and \$55 million.

The 2002 General Assembly authorized the Building Commission to issue bonds to finance the construction of a public safety communications network. The Commission expects to build out the network in four phases; the first phase is expected to cost no more than \$30 million and be completed by the end of the first quarter of 2004. The General Assembly dedicated certain State Bureau of Motor Vehicles fees to pay lease rentals for the network.

The 2003 General Assembly authorized the Building Commission to issue the bonds to finance the construction of laboratory facilities for the State Police, Department of Health and the Department of Toxicology. The Building Commission is planning and designing the laboratories, but has not established a time line for construction. The General Assembly dedicated certain State Bureau of Motor Vehicles fees to pay lease rentals for the State Police portion of the laboratory facilities.

The Building Commission is providing short-term, or construction, financing for these facilities through issuance and sale of "Hoosier Notes." The Building Commission is authorized to issue not to exceed \$150 million in

Hoosier Notes. As of June 30, 2002, \$100.4 million of Hoosier Notes were outstanding. The type, amount and timing of additional revenue bonds to refinance Hoosier Notes are subject to a number of conditions that cannot be predicted at present, including architectural and engineering work, interest rates, credit markets, conditions and costs and progress of construction.

In 1997 and 2002, the General Assembly authorized the TFA to issue bonds to finance additional State highway expansion and improvement projects. The TFA has approximately \$719.5 million in additional bonding capacity for such projects and expects to issue as much as \$500.0 million of additional bonds in the third quarter of 2003.

Debt Issued in Fiscal Year 2003

In December 2002, the Recreation Commission issued \$14.4 million of revenue bonds to refund a part of the Commission's outstanding 1994 revenue bonds and to develop a new State park in Prophetstown, near Lafayette. Approximately \$3.9 million of the proceeds were used for park development.

In January 2003, the Building Commission issued approximately \$83.5 million of revenue bonds to refund Hoosier Notes related to the construction of the new State Museum.

Fee Replacement Appropriations to State Universities and Colleges

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding Student Fee and Building Facilities Fee Bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the State constitution, the General Assembly cannot bind subsequent General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

The estimated aggregate principal amount of bonds and notes issued by each State university and college eligible for Fee Replacement Appropriations, and the amount of Fee Replacement Appropriations appropriated for Fiscal Year 2003 are shown below.

Table V-4
Schedule of Fee Replacement Debt

	Estimated Amount of Debt Outstanding June 30, 2002	Fiscal Year 2003 Fee Replacement Appropriations
Ball State University	\$ 77,745,000	\$ 6,335,738
Indiana University ⁽¹⁾	399,038,469	52,400,706
Indiana State University	60,870,000	6,542,859
Ivy Tech State College	75,895,000	8,611,473
Purdue University ⁽²⁾	212,465,335	33,672,479
University of Southern Indiana	55,146,277	3,993,193
Vincennes University	<u>12,629,042</u>	<u>1,853,421</u>
Total	\$ <u>893,789,123</u>	\$ <u>113,409,869</u>

⁽¹⁾ Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.

⁽²⁾ Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: Indiana Commission for Higher Education

Contingent Obligations

Certain State-authorized entities, including the Indiana Transportation Finance Authority, Indiana Bond Bank and the Indiana Development Finance Authority, have issued obligations that, in certain circumstances, may include payment of State funds. Such payments, if needed, are not mandatory and no one may compel the General Assembly to appropriate moneys to make them. The leases and other obligations of such entities do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

Transportation Finance Authority—Toll Road Financing. The TFA and its predecessors have issued revenue bonds (“Toll Road Bonds”) to finance and refinance the construction and improvement of the 156-mile Indiana East-West Toll Road (the “Toll Road”) in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. For a list of the indebtedness of the TFA for Toll Road Financing, *see* “Schedule of Long-Term Debt—Contingent Obligations.”

The Indiana Department of Transportation (“INDOT”) has entered into a lease agreement for the Toll Road (the “Toll Road Lease”) with the TFA. INDOT is obligated to fix and collect tolls to meet the requirements of the Toll Road Lease: (a) operating expenses; (b) rent to the TFA (for payment of debt service on Toll Road Bonds); and (c) expenses of major repairs, improvements and equipment. The base rent is subject to increase if debt service increases as a result of the issuance of additional Toll Road Bonds. Any excess revenues collected by INDOT are payable to the TFA as additional rent.

In the event Toll Road revenues are insufficient in any year to meet the requirements of the Toll Road Lease, INDOT is obligated under the Toll Road Lease to take steps to remedy the insufficiency, including increasing toll rates and reducing operating expenses. If such measures are inadequate, INDOT is required, within 30 days, to report the amount of the insufficiency to, and seek the approval of the State Budget Agency for a request to the General Assembly for an appropriation to the extent of such insufficiency. Nothing in the Toll Road Lease or in Indiana Code 8-9.5-8 or 8-15 creates a debt or an obligation that requires the State to make any appropriations to or for the use of the TFA or INDOT.

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, *see* “Obligations Payable from Possible State Appropriations—Transportation Finance Authority-Highway Financing” and “Transportation Finance Authority—Aviation Financing.”

Indiana Bond Bank. The Indiana Bond Bank (the “Bond Bank”), a body corporate and politic, was created in 1984 pursuant to Indiana Code 5-1.5. The Bond Bank is not a State agency and is separate from the State in both its corporate and sovereign capacity. The Bond Bank has no taxing power. The purpose of the Bond Bank is to buy and sell securities and to make loans to local governments and other qualified entities as defined in Indiana Code 5-1.5-1-8. The Bond Bank is empowered to issue bonds or notes which are payable solely from revenues and funds that are specifically allocated for such purpose. Pursuant to Indiana Code 5-1.5-5, to assure maintenance of a debt service reserve in any reserve fund required for Bond Bank bonds or notes, the General Assembly may, but is under no obligation to, appropriate to the Bond Bank for deposit in one or more of such funds the sum that is necessary to restore that fund to its required debt service reserve. If at the end of any Fiscal Year the amount in any reserve fund exceeds the required debt service reserve, any amount representing earnings or income received on account of any money appropriated to the reserve fund that exceeds the expenses of the Bond Bank for that year may be transferred to the General Fund.

Bonds or notes issued by the Bond Bank with a debt service reserve under Indiana Code 5-1.5-5 are considered “moral obligation bonds”; however, bonds issued by the Bond Bank do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the State constitution. Particular sources are designated for the payment of and security of bonds and issued by the Bond Bank, and a debt service reserve fund replacement appropriation would only be requested in the event that the particular designated sources were insufficient.

By statute, the total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is currently limited by statute to \$1.0 billion plus (a) not to exceed \$200.0 million for certain qualified entities that operate as rural electric membership corporations

or as corporations engaged in the generation and transmission of electric energy and (b) not to exceed \$30.0 million for certain qualified entities that operate as telephone cooperative corporations. However, these limits do not apply to bonds or notes or other obligations not secured by a reserve fund that is subject to Indiana Code 5-1.5-5.

For a list of Bond Bank bonds that are eligible for debt service reserve fund replacement appropriations, *see* “Schedule of Long Term Debt—Contingent Obligations.”

Development Finance Authority. The Indiana Development Finance Authority (the “Development Finance Authority”), a body politic and corporate, was established in 1990 under Indiana Code 4-4-11 as successor to the Indiana Employment Development Commission, Indiana Agricultural Development Corporation and Indiana Export Finance Authority. The Development Finance Authority is not a State agency, but an independent instrumentality of the State exercising essential public functions. The public purposes of the Development Finance Authority are to (a) promote opportunities for gainful employment and business opportunities by the promotion and development of industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) promote educational enrichment (including cultural, intellectual, scientific or artistic opportunities) by the promotion and development of educational facility projects; (c) promote affordable farm credit and agricultural loan financing for farming and agricultural enterprises; (d) prevent and remediate environmental pollution by the promotion and development of industrial development projects; and (e) promote affordable childcare financing.

The Development Finance Authority is permitted by law to issue conduit and certain other types of revenue bonds to finance projects that serve these public purposes. Except as listed in Table V-5, the Development Finance Authority’s revenue bonds are payable solely from revenues of the Development Finance Authority specifically pledged thereto. The bonds are not in any respect a general obligation of the Development Finance Authority or the State, nor are they payable in any manner from revenues raised by taxation. The Development Finance Authority has no power to levy taxes.

Pursuant to this authority, the Development Finance Authority issued taxable economic development revenue bonds for Steel Dynamics, Inc. (the “Steel Dynamics Bonds”), Qualitech Steel Corporation (the “Qualitech Bonds”), and Heartland Steel, Inc. (the “Heartland Bonds”). Each of these bond issues is secured in part by a debt service reserve fund established exclusively for the related bond issue. The Qualitech Bonds and the Heartland Bonds bear interest at a variable rate and are also secured by direct-pay letters of credit issued by a commercial bank. The Development Finance Authority agreed that the Development Finance Authority would seek appropriations from the General Assembly to fund debt service on the Steel Dynamics Bonds, the Qualitech Bonds and the Heartland Bonds under certain circumstances.

Qualitech Steel, the obligor on the Qualitech Bonds, and Heartland Steel, the obligor on the Heartland Bonds, are bankrupt, and a bankruptcy court has relieved them of their obligations to make debt service payments on their indebtedness. As a result, the Development Finance Authority is paying the Qualitech Bonds and the Heartland Bonds, using appropriations made by the General Assembly.

The Steel Dynamics Bonds have been redeemed and replaced with a loan from one or more commercial banks. The debt service reserve fund established for the Steel Dynamics Bonds remains in place, together with the Development Finance Authority’s agreement to seek State appropriations to fund debt service under certain circumstances.

The Steel Dynamics Bonds financed a portion of the State’s incentives for a substantial economic development project in DeKalb County. Steel Dynamics continues to operate that project. The Qualitech Bonds financed a portion of the State’s incentives for a substantial economic development project in Hendricks County. Steel Dynamics purchased that project, and the Development Finance Authority anticipates that Steel Dynamics will begin additional production there upon completion of capital improvements and required permitting. (Steel Dynamics is in no way obligated to pay the Qualitech Bonds.) The Heartland Bonds financed a portion of the State’s incentives for a substantial economic development project in Vigo County (Terre Haute). A multi-national steel company is now operating that project. (The multi-national steel company is in no way obligated to pay the Heartland Bonds.)

See Table V-5.

Debt Statement—Contingent Obligations

Table V-5 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2002. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund. See “Schedule of Long Term Debt—Contingent Obligations.”

Table V-5
Schedule of Long Term Debt
Contingent Obligations
(as of June 30, 2002)

Issuer/Series	Original Par Amount	Ending Balance 6/30/01	(Redeemed)/ Issued	Ending Balance 6/30/02
Transportation Finance Authority				
Toll Road Bonds				
Series 1985	\$ 256,970,000	\$ 26,200,000	\$ -	\$ 26,200,000
Series 1987	184,745,000	46,295,000	(1,995,000)	44,340,000
Series 1993	76,075,000	47,770,000	(8,595,000)	39,175,000
Series 1996	134,795,000	132,710,000	(620,000)	132,090,000
ITFA TOTAL	<u>\$ 652,585,000</u>	<u>\$ 252,975,000</u>	<u>\$ (11,170,000)</u>	<u>\$ 241,805,000</u>
Bond Bank				
Special Program Pool				
Series 1993A	\$ 7,975,000	\$ 6,440,000	\$ (275,000)	\$ 6,165,000
Series 1993B	14,915,000	13,055,000	(790,000)	12,265,000
Series 1994B	7,835,000	6,205,000	(425,000)	5,780,000
Series 1995A	4,540,000	3,855,000	(165,000)	3,690,000
Series 1995A	13,280,000	11,740,000	(355,000)	11,385,000
Series 1997A	6,295,000	5,910,000	(165,000)	5,745,000
Series 1997B	22,855,000	22,115,000	(1,730,000)	20,385,000
Series 1997C	5,010,000	5,010,000	-	5,010,000
Series 1998A	6,485,000	6,270,000	(185,000)	6,085,000
Series 2000A	31,495,000	31,495,000	-	31,495,000
Series 2000A (Refunding)	32,860,000	24,210,000	(9,025,000)	15,185,000
Series 2001A (Refunding)	20,840,000	20,840,000	(1,315,000)	19,525,000
Series 2001A	7,055,000	7,055,000	(110,000)	6,945,000
Series 2001B	9,500,000	9,500,000	-	9,500,000
Series 2002A	42,910,000	0	42,910,000	42,910,000
Series 2002C	3,940,000	0	3,940,000	3,940,000
BB TOTAL	<u>\$ 237,790,000</u>	<u>\$ 173,700,000</u>	<u>\$ 32,310,000</u>	<u>\$ 206,010,000</u>
Development Finance Authority				
Qualitech Steel	\$ 33,100,000	\$ 28,700,000	\$ (1,200,000)	\$ 27,500,000
Steel Dynamics	21,400,000	17,600,000	(1,100,000)	16,500,000
Heartland Steel	13,800,000	12,300,000	(400,000)	11,900,000
DFA TOTAL	<u>\$ 68,300,000</u>	<u>\$ 58,600,000</u>	<u>\$ (2,700,000)</u>	<u>\$ 55,900,000</u>
TOTAL ALL BONDS	<u>\$ 958,675,000</u>	<u>\$ 485,275,000</u>	<u>\$ 18,440,000</u>	<u>\$ 503,715,000</u>

Source: State Budget Agency

Other Entities Issuing Debt

The following entities, although created or designated by the State, are authorities, instrumentalities, commissions, separate bodies corporate and politic, or not-for-profit corporations separate from the State. The entities may incur debt while exercising essential governmental or public functions. Any debt incurred by the entities is secured only by specific revenues and sources pledged at the time the debt is incurred and is neither direct nor indirect debt of the State. Any such debt does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

<u>Entity</u>	<u>Statute</u>	<u>Purpose of Debt Issuance</u>
Board for Depositories	I.C. 5-13-12 Recodified 1987	Provide guarantees for industrial development or credit enhancement for Indiana enterprises
Indiana Educational Facilities Authority	I.C. 29-1263 Established 1979	Provide funds for projects to be leased to private institutions of higher learning
Indiana Health Facility Financing Authority ⁽¹⁾	I.C. 5-1-16 Established 1983	Provide health facilities with means for financing equipment and property acquisitions
Indiana Housing Finance Authority ⁽²⁾	I.C. 5-20-1 Established 1978	Provide funds for construction or mortgage loans for federally assisted multi-family or for low and moderate income residential housing
Indiana Political Subdivision Risk Management Commission	I.C. 27-1-29 Established 1986	Provide funds to aid political subdivisions protection against liabilities
Indiana Port Commission	I.C. 8-10-1 Established 1961	Provide funds to finance and construct, a broad variety of projects, including public ports, throughout Indiana
Indiana Secondary Market for Secondary Loans, Inc. ⁽³⁾	I.C. 20-12-21.2 Authorized 1980	Provide funds for secondary market for higher education loans
Intelenet Commission	I.C. 5-21-1 Established 1986	Provide funds for a State-wide integrated telecommunications network
Indiana State Fair Commission	I.C. 15-1.5-1 Established 1990	Provide funds for construction, repair and refurbishing of State fairgrounds
Indiana White River State Park Development Commission	I.C. 14-3-1 Established 1979	Provide funds for establishment and development of park, exposition, educational, athletic and recreational projects on the White River in downtown Indianapolis

⁽¹⁾ Originally the Indiana Hospital Equipment Financing Authority

⁽²⁾ Authorized to issue bonds, similar to the Indiana Bond Bank, that would be eligible for General Assembly appropriations to replenish the debt service reserve funds. The Indiana Housing Finance Authority has not issued and does not currently expect to issue any such bonds.

⁽³⁾ A not-for-profit corporation authorized by the General Assembly.

VI. STATE RETIREMENT SYSTEMS

There are four major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund, the State Judges' Retirement System and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Under law, each board administering a retirement system is required to periodically make an actuarial investigation into the mortality, service and compensation or salary experience of the members of the system and their beneficiaries and make a valuation of the assets and liabilities of the retirement benefits in any year in which the retirement fund law is amended in any manner which affects the benefits payable.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF is governed by Indiana Code 5-10.2 and 5-10.3 and is administered by a five member Board of Trustees appointed by the Governor. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees, local

government units, the Judges' Retirement System, Legislators' Retirement System, Prosecutors' Retirement System, municipal police and fire units and State conservation and excise officials. On July 1, 2001, there were 206,111 active and retired members participating in PERF from State and local government with assets totaling \$8,355,549,799. PERF assets were allocated 57% to equities and 43% to fixed income.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF. The PERF benefit consists of (1) a pension formula benefit based upon years of service and final average salary, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. Effective July 1, 1986, the State "picked up" and now pays the employee contributions to PERF for State employees.

Contributions are made to PERF by the State and local units determined by normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution rates are set by the PERF Board of Trustees based on annual actuarial valuations. The State is responsible for making contributions for State employee members only. Funding for PERF is included as part of the expenditures for fringe benefits by each State agency. The table below highlights the funded status and contribution history for the State portion of PERF for the last four valuation dates.

Table VI-1
Public Employees' Retirement Fund
(State-Related Portion Only)

As of July 1,	1998	1999	2000	2001*
Funded Status				
Actuarial Value of Assets	\$ 1,626,450,185	\$ 1,828,584,443	\$ 1,960,018,018	\$ 2,063,626,964
Actuarial Accrued Liability	1,491,985,623	1,583,485,563	1,701,091,436	1,896,505,744
Unfunded/(Overfunded) AAS	(134,464,562)	(245,098,880)	(258,926,582)	(167,121,220)
Funded Ratio	109.0%	115.5%	115.2%	108.8%
Contribution History				
Annual Required Contribution	\$ 81,545,985	\$ 67,481,016	\$ 61,761,627	\$ 66,559,482
Actual Employer Contribution	80,145,933	77,821,378	84,353,750	76,218,663
Contribution Rate**	5.7%	5.0%	5.0%	5.2%

* Revised actuarial assumptions as a result of experience review completed in December 2001 for Plan years 1995-2000.

** Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2001.

Other State Plans

The State appropriates moneys to several other retirement plans that are administered by the PERF Board of Trustees. These include the Judges' Retirement System, the Legislators' Defined Benefit Plan, the Excise Police and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table VI-2 highlights the actuarial valuation findings for these plans as of July 1, 2001.

Table VI-2
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2001)

	Judge's Retirement System	Legislators' Defined Benefit Plan	Excise Police & Conservation Officers' Retirement Plan	Prosecuting Attorney's Retirement Fund
<u>Funded Status</u>				
Actuarial Value of Assets	\$ 109,729,884	\$ 4,665,517	\$ 36,921,405	\$ 10,564,489
Actuarial Accrued Liability	188,610,419	5,508,146	52,024,033	20,417,483
Unfunded/(Overfunded) AAL	78,880,535	842,629	15,102,628	9,852,994
Funded Ratio	58.2%	84.7%	71.0%	51.7%
<u>Contribution History*</u>				
Annual Required Contribution	\$ 10,756,808	\$ 177,559	\$ 1,717,593	\$ 375,145
Actual Employer Contribution	12,278,630	170,144	2,205,711	275,266

* Contribution History is for Plan Year 7/1/00 – 6/30/01

Source: Actuarial Valuation Reports, July 1, 2001.

The PERF Board of Trustees also administers a local police officers' and firefighters' pension and disability fund for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenues provided by cities and towns and by plan members' contributions. Cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2002, \$168.8 million was expended from the pension relief fund, and on June 30, 2002, the pension relief fund balance was \$426.9 million.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") administers a multiple-employer retirement fund established to provide pension benefits for persons who are engaged in teaching or in the supervision of teaching in the State's public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. Indiana Code 21-6.1 governs TRF, and TRF is administered by a five member Board of Trustees appointed by the Governor ("TRF Board"). On June 30, 2002, TRF had 115,456 total members with assets totaling \$5,722,753,180. TRF's assets were allocated 43% to equities and 57% to fixed income.

The TRF benefit consists of (1) a pension formula benefit based upon years of service and final average salary, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. Effective July 1, 1986, each employer was authorized to elect to "pick up" the employee contribution.

For employees hired prior to July 1, 1995, moneys to pay retirement benefits are provided from State appropriations on a "pay as you go" basis. As a result, there is a substantial unfunded accrued liability in the TRF (the "Closed Plan").

To address TRF's unfunded liability, the State and the TRF Board took the following actions:

1. The State capped its pension benefit obligation by (a) shifting the obligation for all teachers hired after July 1, 1995 to local school districts and (b) implementing a level percent of payroll current funding approach (the “New Plan”). The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the Plan.

2. The New Plan is intended to be responsible for the total cost of teachers transferring to other school corporations after 1995. The TRF Board began addressing the unfunded liability developing in the New Plan as a result of the impact of teacher transfers, by increasing the required payroll contribution rate to 9.0%, the rate recommended by TRF’s actuary.

3. In 1996, the State changed the State constitution to allow investment in equities, thereby increasing earnings potential for plan assets.

In addition, the State established the Pension Stabilization Fund to reduce future General Fund appropriations for TRF liabilities beginning in Fiscal Year 2006. Payments from the Pension Stabilization Fund were intended to equal the difference between (1) the then current year liability and (2) 106% of the prior year’s payment from the General Fund for the liability. As of June 30, 2002, the Pension Stabilization Fund balance was \$1.787 billion. The Pension Stabilization Fund was funded from General Fund, Hoosier Lottery and gaming revenues, as well as investment income.

To balance the budget for Fiscal Years 2004 and 2005, and to fund current teacher pension obligations for Fiscal Years 2004 and 2005, the General Assembly authorized transfer of a total of \$380.0 million from the Pension Stabilization Fund to the General Fund. In addition, the General Assembly redirected Hoosier Lottery profits that otherwise would have been deposited in the Pension Stabilization Fund. Unless remedied, such actions will reduce the effectiveness of the Pension Stabilization Fund and result in the need for greater appropriations to fund future TRF obligations.

Table VI-3
Indiana State Teachers’ Retirement Fund

As of June 30,	1998	1999	2000	2001	2002
Funded Status of Closed Plan					
Actuarial Value of Assets	\$ 4,130,388,693	\$ 4,730,666,420	\$ 5,209,889,286	\$ 5,363,497,813	\$ 5,555,352,257
Actuarial Accrued Liability	11,481,766,668	2,172,501,450	12,409,275,218	12,695,787,691	13,497,778,031
Unfunded/(Overfunded) AAL	7,351,377,975	7,441,835,030	7,199,382,932	7,332,289,878	7,942,425,774
Funded Ratio	36.0%	38.9%	42.0%	42.2%	41.2%
Funded Status of New Plan*					
Actuarial Value of Assets	\$ 135,923,370	\$ 240,053,914	\$ 368,157,499	\$ 447,261,751	\$ 621,222,272
Actuarial Accrued Liability	298,407,427	498,422,993	705,790,225	838,038,282	1,166,883,205
Unfunded AAL	162,484,057	258,369,079	337,632,726	380,776,531	545,660,933
Funded Ratio	45.5%	48.2%	52.2%	54.0%	53.2%

* Total Unfunded Accrued Liability of the New Plan is primarily attributable to the transfer of members (and their accrued liabilities) from the Closed Plan.

Source: Indiana State Teachers’ Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2002.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member’s highest salary in 36 consecutive months or a third year trooper’s pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Fund is funded on an actuarial basis. The Treasurer of State is custodian for such trust. Certain financial information about the State Police Pension Trust is also included in the Indiana Comprehensive Annual Financial Report. See “FISCAL POLICIES—Certain Financial Information Incorporated Herein by Reference; Availability from NRMSIRs, State.”

VII. ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Indiana is bordered on the north by Lake Michigan and the State of Michigan, on the south by the Ohio River and the Commonwealth of Kentucky, on the east by the State of Ohio, and on the west by the State of Illinois. The “Crossroads of America,” Indiana is within a day’s drive of nearly two-thirds of the United States’ population. Indiana benefits from proximity to major markets and population centers—both national and international. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state.

Indiana also benefits from a relatively low cost of living. The cost of living index for Indiana’s major cities has been consistently below the national average of 100. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana. According to the U.S. Energy Information Administration, average electric utility rates during 2000 were 14.6% lower than the national average for all industrial consumers while residential energy bills were 17.2% lower than the national average.

During the past decade, Indiana’s economy grew in size and diversity. With an estimated 2000 Gross State Product of approximately \$192.2 billion, Indiana’s economy ranks fifteenth largest in the country in terms of the value of goods and services produced. The State ranks in the top five nationally for producing items as diverse as pharmaceuticals, surgical supplies, aircraft engines and parts, compact discs, musical instruments, truck and bus bodies, electronic resistors and steel. From 1992 to 2002, Indiana witnessed a significant shift in the distribution of employment between sectors. Employment in the Professional and Business Services sector increased by 45%, followed by a 27% gain in Education and Health Services and a 23% increase in Leisure and Hospitality. The Manufacturing sector is 20.4% of total employment in Indiana, a decrease from 23.4% in 1992, and is the largest single sector of employment in Indiana.

Population

Indiana is the 14th most populous state in the United States. Indiana’s population grew by 1.0% from 1980 to 1990 and 9.7% from 1990 to 2000. The capital and largest city is Indianapolis. From 1990 to 2000, population within the Indianapolis MSA increased 16.4%, making it the second fastest growing major metropolitan area in the Midwest.

Table VII-1
Population, including Selected Indiana MSAs

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1980-2000</u>
Indiana	5,490,210	5,544,159	6,080,485	10.8
Indianapolis MSA	1,166,575	1,249,822	1,607,486	37.8
Fort Wayne MSA	354,156	363,811	502,141	41.8
Evansville- Henderson MSA	235,403	235,946	251,366	6.8
Gary Primary MSA	642,733	604,526	631,362	-1.8
South Bend MSA	241,617	247,052	265,559	9.9
United States	226,542,199	248,709,873	281,421,906	24.2

Source: U.S. Census Bureau

**Table VII-2
Demographic Profile**

Age (Years)	<u>Indiana</u>		<u>United States</u>	
	<u>1990</u>	<u>2000</u>	<u>1990</u>	<u>2000</u>
Under 5	7.2%	7.0%	7.6%	6.8%
5-17	18.7%	18.9%	18.2%	18.9%
18-24	11.0%	10.2%	10.8%	9.7%
25-44	31.5%	29.4%	32.4%	30.2%
45-64	19.1%	22.0%	18.6%	22.0%
65 and older	12.6%	12.4%	12.5%	12.4%
Median Age	35.4 years	35.2 years	32.8 years	35.3 years

Source: U.S. Census Bureau

Employment

During this past decade, employment in Indiana shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Although manufacturing is still the largest sector of employment at 20.4% of total employment, it was the slowest growing sector from 1992 to 2002. The fastest growing sectors were Professional & Business Services, which grew by 45.1% from 1992 to 2002, followed by Education & Health Services (26.8% growth) and Leisure & Hospitality (22.6% growth). Indiana lost 19,600 jobs between December 2001 and December 2002, representing a 0.7% decline. Since 1988, Indiana's annual unemployment rate has remained below that of the United States.

**Table VII-3
Year-Ending Non-Farm Employment
(Seasonally Adjusted)**

<u>Year</u>	<u>Total Employment</u>		<u>% Change</u>		<u>Net New Jobs</u>
	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>
1992	2,580,400	109,266,000	2.5%	1.1%	64,000
1993	2,669,700	112,034,000	3.5	2.5	89,300
1994	2,757,200	115,918,000	3.3	3.5	87,500
1995	2,807,100	118,118,000	1.8	1.9	49,900
1996	2,836,700	120,916,000	1.1	2.4	29,600
1997	2,881,100	124,270,000	1.6	2.8	44,400
1998	2,952,900	127,297,000	2.5	2.4	71,800
1999	3,005,400	130,406,000	1.8	2.4	52,500
2000	2,975,700	132,319,000	-1.0	1.5	-29,700
2001	2,900,000	130,890,000	-2.5	-1.1	-75,700
2002	2,880,400	130,670,000	-0.7	-0.2	-19,600
Average Annual Growth Rate (1992-2002):			1.1	1.8	
Total Growth (1992-2002):			11.6	19.6	300,000

Source: U. S. Department of Labor, Bureau of Labor Statistics: *Current Employment Survey*

Table VII-4
Year-Ending Non-Farm Employment by Sector
(Seasonally Adjusted in Thousands)

<u>Sector</u>	<u>1992</u>	<u>% of Total</u>	<u>2002</u>	<u>% of Total</u>	<u>Growth 1992-2002</u>
Mining	7.2	0.3%	7.1	0.2%	-1.4%
Construction	116.7	4.5	137.5	4.8	17.8
Manufacturing	604.1	23.4	586.5	20.4	-2.9
Trade, Transportation & Utilities	527.9	20.5	579.0	20.1	9.7
Information	42.2	1.6	42.0	1.5	-0.5
Financial Activities	130.5	5.1	140.5	4.9	7.7
Professional & Business Services	169.0	6.5	245.2	8.5	45.1
Education & Health Services	277.6	10.8	352.0	12.2	26.8
Leisure & Hospitality	214.9	8.3	263.4	9.1	22.6
Other Services	100.8	3.9	109.1	3.8	8.2
Government	389.5	15.1	418.1	14.5	7.3
Total	<u>2580.4</u>	<u>100.0</u>	<u>2880.4</u>	<u>100.0</u>	<u>11.6</u>

Source: U. S. Department of Labor, Bureau of Labor Statistics: *Current Employment Survey*

Table VII-5
Unemployment Rate
(Annual Averages of Monthly Data)

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana as % of U.S.</u>
1992	6.6%	7.5%	88.0%
1993	5.4	6.9	78.3
1994	4.9	6.1	80.3
1995	4.7	5.6	83.9
1996	4.1	5.4	75.9
1997	3.5	4.9	71.4
1998	3.1	4.5	68.9
1999	3.0	4.2	71.4
2000	3.2	4.0	80.0
2001	4.4	4.7	93.6
2002	5.1	5.8	87.9

Source: U. S. Bureau of Labor Statistics: *Local Area Unemployment Survey*

Income

In 2002, Indiana's per capita personal income reached \$28,240, increasing as a whole 2.6% from 2001. During the past ten years, Indiana's personal income grew at an average annual rate of 3.94%. From 1991 to 2001, Indiana's median household income grew faster than that of the United States, averaging an annual growth rate of 1.69% for Indiana as compared to 0.97% for the United States. In 2001, median income was \$41,192 or 96% of the U.S. average, up from 90% in 1991.

Table VII-6
Growth in Per Capita Personal Income

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>
1992	19,181	20,960	6.5 %	4.7 %
1993	19,982	21,539	4.2	2.8
1994	20,978	22,340	5.0	3.7
1995	21,623	23,255	3.1	4.1
1996	22,501	24,270	4.1	4.4
1997	23,418	25,412	4.1	4.7
1998	24,891	26,893	6.3	5.8
1999	25,543	27,880	2.6	3.7
2000	27,010	29,760	5.7	6.7
2001	27,522	30,413	1.9	2.2
2002	28,240	30,941	2.6	1.7
Average Annual Growth Rate (1992-2002):			3.94%	3.97%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table VII-7
Growth in Median Household Income
(Two-Year Average)

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>
1991	\$ 34,849	\$ 38,754	-1.9 %	-2.1 %
1992	34,805	38,032	-0.1	-1.9
1993	35,417	37,784	1.8	-0.7
1994	34,236	37,904	-3.3	0.3
1995	35,711	38,712	4.3	2.1
1995	38,995	37,857	9.2	2.3
1997	41,126	40,284	5.5	1.8
1998	42,931	41,436	4.4	2.9
1999	43,283	42,764	0.8	3.2
2000	41,937	43,211	-3.1	1.0
2001	41,192	42,695	-1.8	-1.2
Average Annual Growth Rate (1991-2001):			1.69%	0.97%

Source: U.S. Census Bureau: *Current Population Survey*

Table VII-8
Poverty Rates

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>
1991	15.7%	14.2%
1992	11.8%	14.8%
1993	12.2%	15.1%
1994	13.7%	14.5%
1995	9.6%	13.8%
1996	7.5%	13.7%
1997	8.8%	13.3%
1998	9.4%	12.7%
1999	6.7%	11.8%
2000	8.7%	11.3%
2001	8.5%	11.7%

Source: U.S. Census Bureau: *Current Population Survey*

Gross State Product

With an estimated 2000 Gross State Product of approximately \$192.2 billion, Indiana's economy ranks fifteenth largest in the country in terms of the value of goods and services produced. Since 1990, Indiana's Gross State Product has grown at average annual rate of 5.7%.

Table VII-9
Gross State Product (GSP) and Gross Domestic Produce (GDP)
(Millions of Dollars, Current Dollars)

	<u>1980</u>	<u>1990</u>	<u>2000</u>	Average Annual Growth Rate <u>1990-2000</u>	<u>% of Total</u>
Indiana	58,379	110,788	192,195	5.7%	100.0%
Agriculture	1,907	2,273	2,225	-0.2	1.2
Mining	493	640	674	0.5	0.4
Construction	2,685	5,074	9,836	6.8	5.1
Manufacturing	19,510	33,665	58,906	5.8	30.6
Transportation & Utilities	5,184	10,111	14,436	3.6	7.5
Wholesale Trade	3,586	6,452	11,448	5.9	6.0
Retail Trade	5,610	10,238	17,365	5.4	9.0
F.I.R.E.	7,219	13,691	25,422	6.4	13.2
Services	6,318	16,416	32,755	7.2	17.0
Government	5,868	12,228	19,128	4.6	10.0
United States	2,731,618	5,706,658	9,941,522	5.7	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exports

In 2002, Indiana businesses exported \$14,923.0 million worth of goods to other countries, an increase of 3.4% from 2001. Since 1996, Indiana's exports have grown at an average annual rate of 5.2% as compared to 1.8% for the United States as a whole.

Table VII-10
Exports
(Millions of Dollars)

Year	<u>Exports in Millions of Dollars</u>		<u>Annual Percentage Change</u>		
	Indiana	U.S.	Indiana	U.S.	Indiana as a % of U.S. Exports
1996	10,983.6	622,827.1	- %	- %	1.8 %
1997	12,028.5	687,598.0	9.5	10.4	1.7
1998	12,318.1	680,474.2	2.4	(1.0)	1.8
1999	12,910.3	692,820.6	4.8	1.8	1.9
2000	15,385.8	780,418.6	19.2	12.6	2.2
2001	14,365.4	731,025.1	(6.6)	(6.3)	2.1
2002	14,923.0	693,257.3	3.9	(5.2)	2.2
Average Annual Growth Rate (1996-2002):			5.2	1.8	
Total Growth (1996-2002):			35.9	11.3	

Source: U.S. Census Bureau, Foreign Trade Division

Table VII-11
Indiana's Leading Export Industries and Destinations
(Millions of Dollars)

<u>Export Industries</u>		<u>Export Destinations</u>	
<u>Industry</u>	<u>2002 Exports</u>	<u>Country</u>	<u>2002 Exports</u>
Vehicles, excluding Railway	\$4,141.1	Canada	\$6,819.3
Machinery	3,215.4	Mexico	1,942.5
Electrical Machinery	1,356.3	United Kingdom	1,006.7
Optic/Medical Instruments	903.0	Japan	714.1
Organic Chemical	892.3	France	637.6
Plastic	627.2	Germany	525.1
Miscellaneous Chemical	562.6	Netherlands	295.3
Pharmaceutical	546.6	Singapore	252.7
Iron and Steel	209.9	Korea	244.7
Aluminum	207.7	Australia	227.8
Other	2,265.9	Other	2,257.2

Source: U.S. Census Bureau, Foreign Trade Division

VIII. LITIGATION

The following is a summary of certain significant litigation and other claims currently pending against the State, which involve amounts exceeding \$5.0 million individually or in the aggregate as of May 28. With respect to tort claims only, the State's liability is limited to \$300,000 for injury to or death of one person in any one occurrence, and \$5.0 million for injury to or death of all persons in that occurrence. This summary is not exhaustive as to the description of the specific litigation or claims described or as to all the litigation or claims pending or threatened against the State.

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since about 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981, holding the State responsible for most costs of the desegregation plan. Those costs have been part of the State budget since that time. In June 1998, an 18-year phase out of the desegregation plan was negotiated and approved by the District Court. State expenditures will be gradually reduced as the desegregation plan is phased out.

In July 1993, a class action was filed in Marion Superior Court alleging that the State failed to pay certain similarly classified State employees equal rates of pay. The class was certified by the Superior Court, and notification of the class is in process. No trial date has been set. The relief sought includes damages in an unspecified amount, as well as injunctive relief. If the plaintiffs are successful, the cost to the State would exceed \$5.0 million.

In a lawsuit filed against the State in January 1993, the Marion Superior Court invalidated that portion of a Medicaid disability standard that permits the State not to assist applicants who are unable to pay for treatment, but have a medical condition that will improve with treatment. After appeal and further trial court action, the Superior Court again invalidated the standard in December 1999, and the Indiana Court of Appeals affirmed the Superior Court's decision. The State sought transfer of the lawsuit to the Indiana Supreme Court. In July 2001, the Supreme Court denied transfer, affirming the Superior Court's court decision. The State and the plaintiffs agreed on a means for the State to comply with the judgment, and the agreement was approved by the Superior Court. The State has paid out approximately \$17.0 million in provider-submitted claims and issued refunds in the amount of approximately \$57,000. The deadline for submitting claims is August 11, 2003; however, an issue with implementation of the judgment could result in extension of the claims deadline.

In 1993, transportation providers filed suit against the State challenging the current Medicaid reimbursement program for transportation services. The State prevailed in both State and Federal trial courts, but

the plaintiffs appealed. The State won the State appeal, but the Federal appeal resulted in the suit being remanded to the State trial court. The State will retry the Federal issues before the State trial court. If the rules are enjoined, the State would forfeit savings to the Medicaid program in excess of \$5.0 million. Mediation was not successful. Trial is scheduled for April 2004.

In September 2000, various Lake County officials filed a lawsuit in State Tax Court alleging that residents of the county pay a disproportionate share of Hospital Care for the Indigent (“HCI”) property tax and, as a result, there is a violation of the Indiana constitution. In April 2002, the Tax Court decided that the HCI assessment was unconstitutional, but denied application for retroactive refunds and permitted the continued collection of the tax until January 1, 2003. The Indiana Supreme Court reversed the Tax Court. However, a taxpayer is seeking a rehearing by the Tax Court and the Supreme Court on Federal constitutional issues. In addition, other Lake County taxpayers filed suit in the United States District Court for the Northern District of Indiana challenging the HCI assessment. HCI tax revenues total approximately \$128.0 million per year.

In July 2000, a corporation operating a riverboat casino challenged the Indiana Department of Revenue’s interpretation of a riverboat gaming tax provision, alleging that the tax is not an “add-back” for corporate income tax purposes. The corporation and the State filed cross-motions for summary judgment. The motions are pending in State Tax Court. The potential cost to the State is between \$5.0 million and \$10.0 million; however, the cost to the State may be greater if a precedent is set that would benefit other riverboat casino operations.

In December 2000, property owners filed an action against the Indiana Department of Environmental Management, the Office of Environmental Adjudications and current and former agency officials alleging that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process, as well as a violation of the Indiana constitution. The plaintiffs are seeking in excess of \$30.0 million in damages plus attorney fees and costs. Upon completion of review of administrative issues by a State court, the Federal court will address issues under United States Code section 1983.

In May 2000, property owners along Fawn River in Northern Indiana filed an action against the Governor, the Indiana Department of Natural Resources and agency officials and employees alleging violations of the Clean Water Act, unconstitutional takings of property and violations of United States Code section 1983. The plaintiffs are seeking in excess of \$38.0 million in damages plus attorney fees and costs. The United States District Court granted the State’s motion for summary judgment; and the judgment is under appeal to the United States Court of Appeals for the Seventh Circuit.

In February 2001, a class action was brought on behalf of plaintiffs seeking injunctive relief to cause the State’s Family and Social Services Administration to provide residential mental health placement for a class of certain Medicaid-eligible children. At present, the State’s Medicaid program pays for mental health treatment, but does not pay for residential placement (room and board). If the plaintiffs are successful, the State would be required to pay for residential placement for the entire class. The size of the class is unknown, but it could include thousands of children. If so, the cost to the State could exceed \$5.0 million. On October 1, 2002, the United States District Court granted the plaintiffs’ motion for a summary judgment on the Medicaid issue. The judgment is under appeal to the United States Court of Appeals for the Seventh Circuit.

In 2001 and 2002, four entities operating riverboat casinos filed lawsuits alleging that their purchases of riverboats were not properly subject to Indiana sales and use tax. Each of the taxpayers alleges that the riverboats should not be taxed because the entities were entitled to a public transportation exemption and because the riverboats are considered to be real estate (not personal property) for Indiana property tax purposes. Collectively, the financial impact of the lawsuits is between \$7.0 million and \$8.0 million.

In April 2002, a class action was filed by six federal retirees, who allege that the State’s method for taxing federal employee retirement benefits violates Federal law because the method results in greater taxation than is collected from other retirees who collect Social Security. The total impact of this action exceeds \$5.0 million. The plaintiffs filed for a motion for summary judgment alleging that the applicable statute regarding class certification is unconstitutional. The Indiana Department of Revenue filed a response and a motion for a partial summary judgment.

In July 2002, a corporation filed a breach of contract action against the Indiana Department of Environmental Management (“IDEM”), alleging that IDEM failed to abide by the terms of an agreed order relating to environmental clean-up costs. The plaintiff is seeking \$5.0 million in damages. The State’s motion to dismiss the action, and the plaintiff’s motion for summary judgment, were denied.

In August 2002, an accounting firm hired to conduct the reassessment of real property in Lake County filed a breach of contract suit against the State. The plaintiff seeks \$12.0 million in damages, alleging that State approved invoices for the plaintiff’s services, but then failed to abide by contractual provisions requiring the State to take steps to force Lake County to pay the invoices. A trial date has been set.

If successful, a bank’s claim for a refund of part of its 1995 financial institutions tax payment may exceed \$5.0 million. The bank alleges that the applicable statute violates the Commerce Clause of the United States constitution and that the Indiana Department of Financial Institutions incorrectly failed to credit out-of-state taxes paid by non-resident members of the bank’s unitary group. Trial is set on the statutory issue of whether certain members of the unitary group are properly members for financial institutions tax purposes.

In January 2003, a large business with property in the City of East Chicago filed an amended complaint in Marion Superior Court alleging that the City improperly reduced the assessed value reported by the plaintiff from \$1,210.3 million to \$750,000,000 as the City determined budgets, tax rates and tax levies for 2002. The plaintiff alleges that various local and State officials, including the State Department of Local Government Finance, did not follow proper procedures and, as a result, the plaintiff’s tax burden was increased. In addition, the plaintiff alleges that an applicable State statute permits a non-uniform and unequal rate of assessment in violation of the State constitution. The State has filed a motion to dismiss.

APPENDIX B

THE SERIES 2003 D QUALIFIED ENTITY, THE PROJECT AND THE SERIES 2003 D QUALIFIED OBLIGATIONS

The Series 2003 D Qualified Entity

The City. The City of Columbus, Indiana (the "City") (2000 census population 39,059), is located in south central Indiana, approximately forty-five (45) miles south of Indianapolis. The City is home to two of Indiana's largest manufacturers, ArvinMeritor, Inc., and Cummins, Inc., both of which manufacture automotive components and machinery which are distributed and sold on a worldwide basis. The City is renowned for its focus on cultural refinement, boasting many facilities with some of the most innovative modern architectural designs in the Midwest and numerous works of public art.

Board of Aviation Commissioners. The City's Board of Aviation Commissioners (the "BAC"), the governing body of the Department of Aviation of the City, owns and operates Bakalar Municipal Airport, the City's municipal airport located on the north side of the City (the "Airport"). The BAC was established by the City pursuant to Indiana Code 8-22-2 (the "Municipal Airport Act"). The BAC consists of four commissioners, each of which is appointed by the Mayor of the City. The BAC is responsible for establishing the policies governing the use of the municipal airport of the City.

The BAC owns significant property surrounding the Airport and has encouraged the development of the western portion of that property for commercial purposes. The BAC has leased property to create business parks, including commercial, office and light industrial uses, and has also leased property to higher education institutions serving the region, as described in more detail below. See "The Project – Participating Entities." Most recently, ArvinMeritor, Inc. recently completed construction of a new technology information center located adjacent to the site of the Project.

The Series 2003 D Qualified Obligations do not constitute a general or moral obligation of the City or the BAC but are special, limited revenue obligations payable solely from revenues of the Project deposited in the Aviation Revenue Bond Fund, all as more particularly described herein.

The Project

A number of years ago, Columbus area civic, governmental and education leaders concerned about the City's, and the surrounding region's, dependence upon the automotive industry for high paying employment opportunities, identified the need to provide more high technology training to the area's workforce to facilitate a more diverse and robust local and regional economy. To spearhead this effort, this group formed the Community Education Coalition (the "Coalition"), a nonprofit coalition to develop strategies to realize this goal.

The Coalition is now focused on developing a collaborative community learning system intended to identify and deliver continuous education and training to citizens, community organizations and businesses in the Columbus area. As one of its initial efforts, the Coalition has pursued grant monies to develop innovative programs in furtherance of this objective. The Coalition has been very successful in this regard, having received twenty-one (21) grants totaling over \$8 million for educational programs from a wide variety of business, governmental and charitable sources, including a \$5 million "CAPE" grant from the Lilly Endowment (one of the first such recipients of this initiative awarded by the Lilly Endowment) for program development purposes. The Coalition has also received grants and used the proceeds thereof to study facility needs in the area, including needs for higher education.

Participating Entities. Currently, The Trustees of Indiana University, the Trustees of Purdue University and Ivy Tech State College, the three (3) largest public higher educational institutions in the State of Indiana (collectively, the "Participating Entities"), provide degree programs through two (2) existing facilities located on the western edge of the Airport property. These programs serve students both within Bartholomew County (where the City is located) and in Southern Indiana generally. See Appendix B-1 attached hereto for a description of the programs offered by the Participating Entities and the percentage of the student population from Bartholomew County.

Learning Center. As part of its strategy to implement a collaborative community learning system, and in particular to develop the training and educational opportunities needed by local businesses, the Coalition identified the need for a new, technology-oriented facility that would house these new educational and workforce development programs. The result of these efforts is the proposed Columbus Learning Center (the "Project").

Physically, the Project will serve as a bridge or connector between the two (2) existing facilities utilized by the Participating Entities (see the schematic layout of the existing facility and the proposed Project attached hereto as Appendix B-2). More importantly, the Participating Entities intend to use the facility in a flexible and cooperative manner, without defined leased space, to implement the educational and workforce programs described above. Other entities involved in education, training and workforce development also may lease or use space in the facility to provide specific education, training and workforce development programs.

The Project will house high-tech classrooms, an Information Commons, a Center for Teaching and Learning, a Quality Improvement Center, a Careers in Indiana Center, student services, student life, business and industry training and administrative offices. These facilities will be available both for the Participating Entities and, to the extent time and space permit, for the community as a whole, including local businesses and industries, for training purposes.

Columbus Learning Center Management Corporation. Since the Participating Entities will not have defined leased space within the Project and in order to allow the Participating Entities to focus on programs, rather than facility maintenance, the Columbus Learning Center Management Corporation, an Indiana nonprofit corporation (the "Management Corporation"), has been established to operate and maintain the Project. The Board of Directors of the Management Corporation, consists of twenty-four (24) members representing business, education, government and significant non-profit organizations in the Columbus region. V.W. Hunt, former CEO of Arvin Industries, Inc., and former Vice-Chairman of ArvinMeritor, Inc., currently serves as the first Chair of the Board of Directors of the Management Corporation. John M. Burnett has served as President of the Management Corporation and the Coalition since 1999. Prior to 1999, Mr. Burnett was owner and president of a human resource consulting and staffing company. From 1984 to 1997, Mr. Burnett worked for Cummins Engine Company where he held a variety of human resources positions including Director of Human Resources. After receiving his B.S. degree from Indiana State University in English and Education, Mr. Burnett taught high school English for three years. As President of the Management Corporation, Mr. Burnett will have oversight responsibility for all aspects of the operation of the Project. In addition, the Management Corporation expects to hire a program/operations manager who will be directly responsible for managing the program activities at the Project and a facilities manager who will be directly responsible for the day-to-day operations and maintenance of the physical plant facilities.

The Series 2003 D Qualified Obligations are not an obligation of the Management Corporation, or any of the Participating Entities or any member, director, officer, agent, attorney or employee thereof but are special, limited revenue obligations payable solely from revenues of the Project deposited in the Aviation Revenue Bond Fund, all as more particularly described herein.

The Series 2003 D Qualified Obligations

Because the Project is to be located on Airport property owned by the BAC, the Series 2003 D Qualified Obligations will be issued pursuant to Indiana Code 8-22-2-1 *et seq.* (the "Municipal Act") to finance the acquisition, construction and installation of the Project. The Municipal Act authorizes the City, on behalf of the

BAC, to issue special, limited revenue bonds or other obligations, payable solely from the revenues generated from facilities financed under the Municipal Act and deposited in the Aviation Revenue Bond Fund to be established for the purpose of setting aside monies for the payment of debt service on such bonds or other obligations. See attached Appendix B-3 for a schematic chart showing the sources of the payment of the Series 2003 D Qualified Obligations and other payments to be made respecting the Project.

The Series 2003 D Qualified Obligations will not constitute a general or moral obligation or indebtedness of the City, the BAC, the Participating Entities or the Management Corporation under the Constitution or laws of the State, but will be payable solely from the revenues generated by the Project deposited in the Aviation Revenue Bond Fund.

The Lease Agreement. The BAC, as owner and lessor of the Project and the real estate upon which the Project will be located, will enter into a Lease Agreement dated as of June 1, 2003, with the Management Corporation, as master lessee (the "Lease Agreement"). Pursuant to the Lease Agreement, the BAC will apply the proceeds of the Series 2003 D Qualified Obligations to acquire, construct and install the Project. By separate agreement, the BAC has designated the Management Corporation as its agent to oversee all aspects of the acquisition, construction and installation of the Project. The City will authorize the proceeds of the Series 2003 D Qualified Obligations to be deposited with and held by the Trustee. The Trustee will disburse the proceeds of the Series 2003 D Qualified Obligations for Project expenses in the manner more particularly described in the Indenture.

Lease Payments; Net Lease. The Lease Agreement will provide for lease payments to be made by the Management Corporation thereunder to be sufficient to pay when due the principal of and interest on the Series 2003 D Qualified Obligations. The initial term of the Lease Agreement will coincide with the term of the Series 2003 D Qualified Obligations. The Lease Agreement will constitute a "net lease," *i.e.*, the rental paid by the Management Corporation will be absolutely net to the BAC, and the BAC will have no obligation with respect to the operation, maintenance, provision of services, repair or replacement, insurance or taxes and assessments with respect to the Project, such responsibilities to be those of the Management Corporation (the "Additional Management Corporation Responsibilities").

The Operation and Maintenance Fund and the Repair and Replacement Fund. The Lease Agreement establishes an Operation and Maintenance Fund (the "O&M Fund") and a Repair and Replacement Fund (the "R&R Fund") for deposit of moneys to provide funds to pay amounts necessary to satisfy the Additional Management Corporation Responsibilities. The O&M Fund and the R&R Fund will be held by the Qualified Entity Trustee pursuant to a Qualified Entity Trust Agreement (the "Qualified Entity Trust Agreement") to be dated as of June 1, 2003, among the City (on behalf of the BAC), the Management Corporation and Fifth Third Bank, Indiana, as trustee (the "Qualified Entity Trustee").

After sufficient moneys are set aside to make the required lease payments, a deposit will be made into the O&M Fund to provide sufficient moneys for routine operation and maintenance of the Project, including the payment of premiums for insurance with respect to the Project. In addition, a component of the deposit into the O&M Fund will be set aside for the financing of fixtures, furnishings and equipment, including the computer and other technology equipment to be provided within the Project. See "Financing of Furniture, Fixtures, Equipment and Technology" herein. After making the required deposit to the O&M Fund, remaining moneys will be deposited in the R&R Fund until the balance therein equals \$5,000,000 (including deposits to restore the R&R Fund to such amount after withdrawals are made therefrom), to finance significant repairs and replacement, as necessary, for the Project.

Source of Lease Payments and Deposits to the O&M Fund and the R&R Fund. The Lease Agreement provides that the lease payments to be made by the Management Corporation and the funds for deposit into the O&M Fund and the R&R Fund will be payable solely from moneys payable to the Management Corporation under the Sublease Agreement (as hereinafter defined and more particularly described), together with moneys already available therefor in the funds and

accounts established under the Qualified Entity Trust Agreement. As described below, the amounts payable to the Management Corporation pursuant to the Sublease Agreement will consist of appropriations by the Indiana General Assembly to the Indiana Department of Administration (the "DOA").

Limitation of Liability. The Lease Agreement provides that the obligations of the BAC and the Management Corporation under the Lease Agreement do not constitute an indebtedness of the State, or any agency or political subdivision thereof, including the City or the BAC, within the meaning or application of any constitutional provision or limitation of the State or the laws of the State, or a pledge of the faith or credit of the State, or any agency or political subdivision thereof, including the City or the BAC. If sufficient moneys are not paid by the Management Corporation under the terms of the Lease Agreement, neither the City, the BAC, the Management Corporation, the Bond Bank, the holders of the Series 2003 D Bonds, or any other person will have the right to compel funds to be appropriated by the Indiana General Assembly or any other body to be made available for such purpose.

The Sublease Agreement. The Management Corporation, as master lessee, will enter into a Sublease Agreement dated as of June 1, 2003, with the DOA, as sublessee. The DOA was established under Indiana Code 4-13-1-1, *et seq.*, and is the agency of the State responsible for providing general services for various departments and agencies of the State, including information management, procurement and property management and other general administrative services. The DOA will act as sublessee to facilitate the efficient administration of the financing of the Project on behalf of and for the benefit of the Participating Entities and will not occupy the Project.

The form of the Sublease Agreement and the use of the Project by the Participating Entities has been approved by the Indiana Commission for Higher Education and the State Budget Agency following review by the State Budget Committee, as required under P.L. 173-2002, the legislation enacted by the Indiana General Assembly authorizing the Project and the use of appropriations to make sublease rental payments in the manner contemplated pursuant to the Sublease Agreement. The Sublease Agreement (and the Lease Agreement) will be fully executed prior to the date of issuance of the Series 2003 D Qualified Obligations and the Series 2003 D Bonds.

The Participating Entities. The Participating Entities will occupy the Project and will execute the Sublease Agreement for the limited purpose of agreeing to those portions of the Sublease Agreement pertaining to the use of the Project, including their agreement to occupy and use the Project so long as the Sublease Agreement remains in effect, and to acknowledge their obligations under a joint use agreement to be entered into among the Participating Entities and the Management Corporation to govern the respective use of the Project by each of the Participating Entities on a day-to-day basis. The Participating Entities, however, will have no obligation to make any rental payments under the Sublease Agreement.

Source and Use of Sublease Payments Sublease payments from the DOA will come exclusively from appropriations made by the Indiana General Assembly. The payments are to be in an amount sufficient to (i) pay debt service on the Series 2003 D Qualified Obligations; (ii) make the required deposits into the O&M Fund to pay for routine operation and maintenance of the Project and to provide funds for the financing of fixtures, furnishings and equipment for the Project; and (iii) make the required deposits into the R&R Fund. Sublease Payments will be made by the DOA to the Management Corporation on a semiannual basis. The portion of the sublease payment that is to be applied to the payment of debt service on the Series 2003 D Qualified Obligations will be paid directly to the Trustee for the Series 2003 D Bonds. The remaining portion of such payment will be transferred to the Qualified Entity Trustee for deposit in the O&M Fund or the R&R Fund held by the Qualified Entity Trustee under the terms of the Qualified Entity Trust Agreement.

Term of Sublease Agreement and Payments Thereunder. It is anticipated that sublease payments will begin on July 15, 2005, after substantial completion of the Project. Because sublease payments to be made by the DOA are subject to appropriation by the Indiana General Assembly, the initial lease term will expire on June 30, 2007, subject to two (2)-year renewal terms ending on

June 30 of odd-numbered years, subject to continuing appropriations by the Indiana General Assembly.

Non-Appropriation of Funds; Termination of Sublease; Vacation of Premises. The Sublease Agreement provides that in the event the Indiana General Assembly fails to appropriate sufficient funding, or the DOA fails to allocate sufficient funding, such that the DOA cannot meet any rental obligation under the Sublease Agreement, the Sublease Agreement shall terminate and the DOA and the Participating Entities must vacate the subleased premises prior to the date of such termination. The DOA is obligated to pay rental under the Sublease Agreement for any period (i) during which the subleased premises are available for use and occupancy by the Participating Entities, and (ii) funds have been appropriated and available to the DOA to pay rental under the Sublease Agreement.

Limitation of Liability. The Sublease Agreement provides that the obligations of the Management Corporation, the DOA and the Participating Entities under the Sublease Agreement do not constitute an indebtedness of the State, or any agency or political subdivision thereof, including the DOA, the Participating Entities, the City or the BAC, within the meaning or application of any constitutional provision or limitation of the State or the laws of the State, or a pledge of the faith or credit of the State, or any agency or political subdivision thereof, including the DOA, the Participating Entities, the City or the BAC. If sufficient moneys are not paid by the DOA under the terms of the Sublease Agreement, neither the City, the BAC, the Management Corporation, the Bond Bank, the holders of the Series 2003 D Bonds, or any other person will have the right to compel funds to be appropriated by the Indiana General Assembly or any other body to be made available for such purpose.

A more detailed discussion of the State and its financial condition and procedures is set forth in Appendix A, "FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA."

Financing of Fixtures, Furnishings and Equipment. The financing of the initial installation of fixtures, furnishings and equipment, including computer and other equipment needed to operate the programs to be offered by the Participating Entities in the Project, is expected to be procured by the City, on behalf of the BAC, through the program previously established by the Bond Bank and commonly known as the Hoosier Equipment Lease Program (HELP). The financing is expected to consist of a lease-purchase installment contract with payments to be made from funds paid to the Management Corporation pursuant to the Sublease Agreement from amounts deposited in the O&M Fund held by the Qualified Entity Trustee under the Qualified Entity Trust Agreement for such specific purpose. Future acquisition and installation of new and replacement fixtures, furnishings and equipment will likewise be financed from anticipated deposits into the O&M Fund to be made pursuant to the Sublease Agreement.

APPENDIX B-1

PARTICIPATING ENTITY PROGRAMS AND GEOGRAPHICAL ENROLLMENT INFORMATION

The following are summaries of the degree programs currently offered by the Participating Entities and the regional distribution of enrollment in the programs offered by the Participating Entities:

THE TRUSTEES OF INDIANA UNIVERSITY

Indiana University-Purdue University Columbus (IUPUC), a part of the university system operated by The Trustees of Indiana University, currently is located adjacent to the Columbus Municipal Airport, on 4601 Central Avenue.

Enrollment for the period from 1998 – 2003 has been between 1,400 to 1,500 students per year. The University projects 10% growth in enrollment over the next 5 years.

Students can complete the following degree at IUPUC:

1. Business (BS, MBA)
2. Psychology (BS, BA)
3. Chemistry (AS)
4. Nursing (LPN, ASN)
5. Elementary Education (BS)
6. Sociology (BS)
7. General Studies (AS, BS)

43% of the students enrolled at IUPUC are from Bartholomew County.

THE TRUSTEES OF PURDUE UNIVERSITY

The Purdue University School of Technology Statewide System, a part of the university system operated by The Trustees of Purdue University, was created to extend Purdue's existing technology programs across the state to help meet Indiana's need for trained technologists and technicians. The statewide system represents a direct academic and administrative extension of the School of Technology at West Lafayette campus.

The School of Technology statewide delivery system includes Purdue programs in Anderson, Columbus SE Indiana, Indianapolis, Kokomo, Lafayette, Muncie, New Albany, Richmond, South Bend/Elkhart, and Versailles. Other communities may be served as needs arise.

Enrollment for the period from 1998 – 2003 has been between 290 to 350 students. The University projects 10% growth in enrollment over the next 5 years.

Students can complete the following degrees at Purdue University School of Technology:

1. Computer Integrated Manufacturing Technology — A.S.
2. Computer Technology — A.S. and B.S.
3. Electrical Engineering Technology — A.S.
4. Mechanical Engineering Technology — A.S.
5. Organizational Leadership and Supervision — A.S. and B.S.
6. Computer Graphics Technology — A.S.

39% of the students enrolled at the Purdue University School of Technology are from Bartholomew County.

IVY TECH STATE COLLEGE

With 23 campuses statewide, Ivy Tech State College is Indiana's third largest public higher education system. An open-access, two-year technical college, Ivy Tech offers courses, degree programs, training leading to certifications and continuing education. The College also provides customized training opportunities for businesses and industries.

Enrollment for the period from 1998 – 2003 has been between 1,600 to 2,100 students per year. The University projects an increase in enrollment of 10% to 20% per year, and upwards of 25% with activation of Community College of Indiana locally.

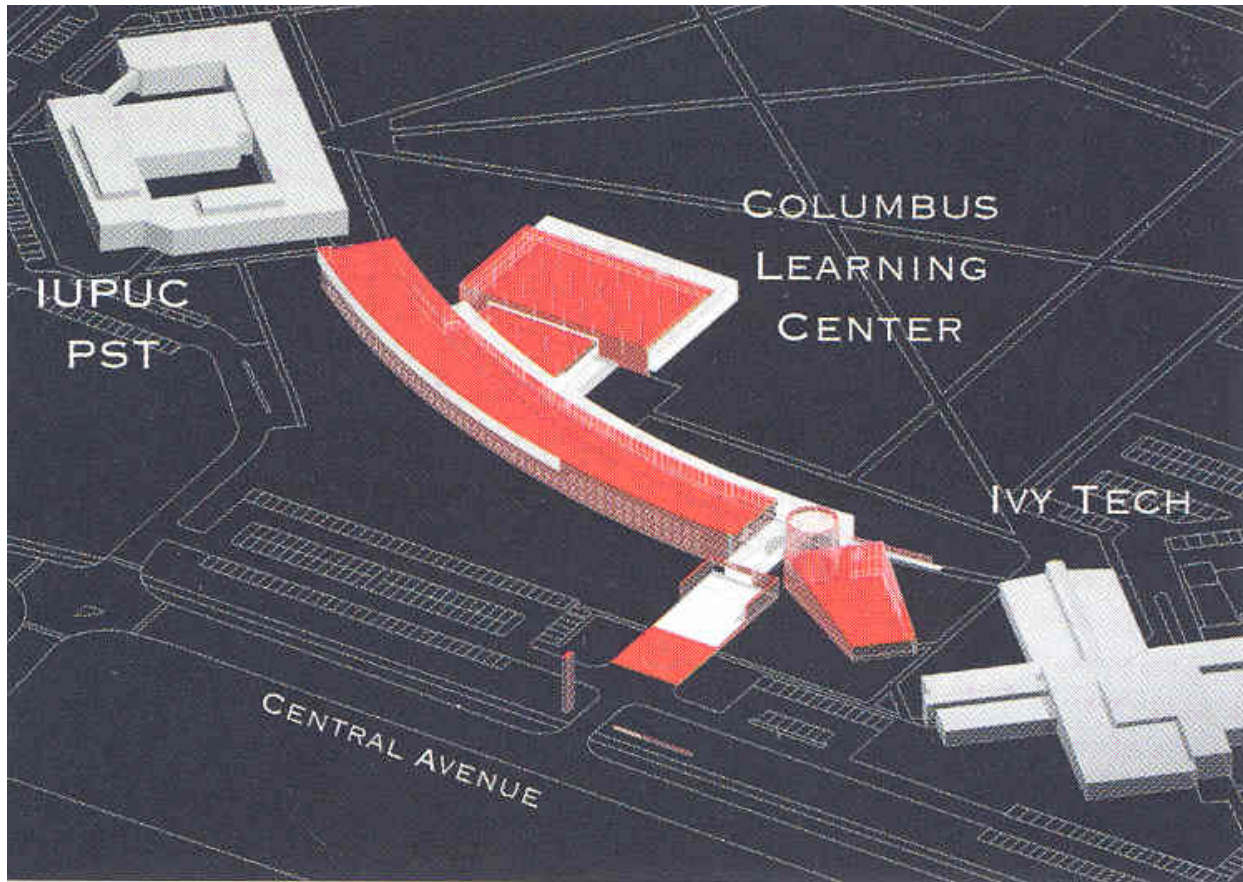
Number of degrees offered:

	<u>1998</u>	<u>2003</u>
Associate of Science		
1. (Traditional)	4	6
2. (Distance)	0	3
Associate of applied Science		
3. (Traditional)	12	13
4. (Distance)	0	4
5. (Apprenticeship)	1	2
Technical Certificate		
6. (Traditional)	10	8
7. (Distance)	0	1
8. (Apprenticeship)	1	2

36% of the students enrolled at Ivy Tech State College are from Bartholomew County.

APPENDIX B-2

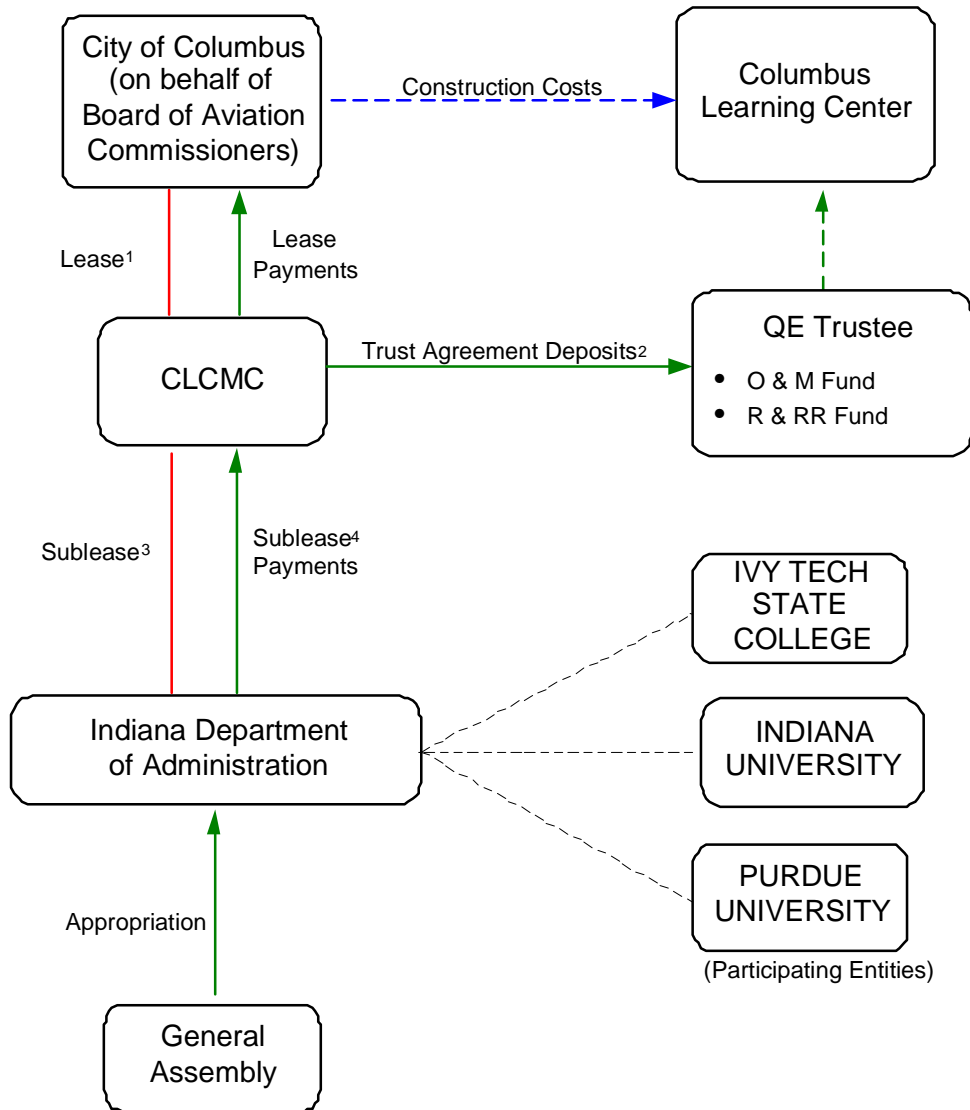
**SCHEMATIC LAYOUT OF THE COLUMBUS LEARNING CENTER
AND EXISTING FACILITIES OF THE PARTICIPATING ENTITIES**



Appendix B-3

SOURCES OF PAYMENT OF SERIES 2003 D QUALIFIED OBLIGATIONS

Columbus Learning Center Project



1. Lease Agreement between Board of Aviation Commissioners of the City of Columbus, Indiana and Columbus Learning Center Management Corporation.
2. Deposits to be made pursuant to Trust Agreement by and among City of Columbus, Indiana (on behalf of its Board of Aviation Commissioners); Columbus Learning Center Management Corporation and Fifth Third Bank, Indiana, as Trustee. Deposits to be made to Operation and Maintenance Fund and Repair and Replacement Reserve Fund thereunder.
3. Sublease Agreement between Columbus Learning Center Management Corporation and the Indiana Department of Administration, on behalf of Ivy Tech State College, the Trustees of Indiana University and the Trustees of Purdue University, as Participating Entities.
4. Pursuant to the Sublease, the Indiana Department of Administration will pay the portion of its sublease payment relating to debt service on the Series 2003 D Qualified Obligations directly to the Bond Bank Trustee.

FORM OF APPROVING BOND COUNSEL OPINION

Upon delivery of the Series 2003 D Bonds, Baker & Daniels,
Indianapolis, Indiana, Bond Counsel, proposes to deliver an
opinion in substantially the following form:

June 25, 2003

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank Special Program Bonds, Series 2003 D
(Columbus Learning Center Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Bond Bank (the "Issuer") of Twenty-Seven Million Five Hundred Fifteen Thousand Dollars (\$27,515,000) aggregate principal amount of the Indiana Bond Bank Special Program Bonds, Series 2003 D (Columbus Learning Center Project), originally dated June 25, 2003 (the "Series 2003 D Bonds"). The Series 2003 D Bonds are being issued pursuant to Indiana Code 5-1.5, as amended (the "Act") and a certain Trust Indenture dated as of June 1, 2003, between the Issuer and Fifth Third Bank, Indiana, as trustee (the "Indenture").

We have examined the law and such certified proceedings and other certificates, instruments and documents as we have deemed necessary or appropriate for purposes of rendering this opinion.

As to questions of fact material to our opinion, we have relied, without undertaking to verify the same by independent investigation, upon representations, covenants and certifications of the Issuer, public officials and others contained in the certified proceedings and other certificates, instruments and documents furnished to us.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Indenture constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer. The Indenture creates the valid pledge that it purports to create of the Funds and Accounts (as defined in the Indenture) thereunder and the obligations of the Qualified Entity (as defined in the Indenture) being acquired with the proceeds of the Series 2003 D Bonds, subject to the application thereof to the purposes of and the conditions permitted by the Indenture.

2. The Series 2003 D Bonds have been duly authorized, executed and issued by the Issuer in accordance with the Act, and are valid and binding special obligations of the Issuer, payable solely from and secured solely by the sources provided therefor in and pursuant to the Indenture.

3. The interest on the Series 2003 D Bonds is excludable pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of delivery of the Series 2003 D Bonds (the "Code"), from gross income for federal income tax purposes, and the Series 2003 D Bonds are not "private activity bonds" under Section 141 of the Code; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), interest on the Series 2003 D Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer and the Qualified Entity comply with all

requirements of the Code that must be satisfied subsequent to the issuance of the Series 2003 D Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Qualified Entity have covenanted to comply with each of such requirements. Failure to comply with certain of such requirements may cause the interest on the Series 2003 D Bonds to cease to be excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Series 2003 D Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2003 D Bonds.

4 The interest on the Series 2003 D Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana financial institutions tax and the Indiana inheritance tax.

It is to be understood that the rights of the holders of the Series 2003 D Bonds and the enforceability of the Series 2003 D Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture. Certain capitalized terms in this summary not defined in this Official Statement will have the meanings set forth in the Indenture.

Accounts and Reports

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of at least five percent (5%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

Preservation of Tax Exemption for the Bonds

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion; and it will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the particular Series of Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the particular Series of Bonds. It will not be an Event of Default under the Indenture if the interest on the Bonds is not excluded from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of such Bonds. The Bond Bank will rebate any necessary amounts to the United States of America to the extent required by the Code, as provided under the Indenture.

In making any determination regarding the covenants, the Bond Bank may rely on an Opinion of Bond Counsel.

Covenants Concerning the Bonds

In order to provide for the payment of the principal of and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary to receive and collect Revenues (including the enforcement of the prompt collection of any arrearages on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Series 2003 D Qualified Obligations and to enforce all terms, covenants and conditions of the Series 2003 D Qualified Obligations. Whenever necessary in order to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Series 2003 D Qualified Obligation which is in default.

Covenants with Respect to Qualified Obligations

With respect to the Qualified Obligations, the Bond Bank covenants as follows:

(a) Not to permit or agree to any material change in any Qualified Obligation (other than ones for which consent of the Bond Bank is not required) unless the Bond Bank supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

(b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, or cause such Qualified Obligation to be considered debt of the Qualified Entity, the Bond Bank will pursue the remedies set forth in the Act, particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Series 2003 D Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year and the Trustee determines that failure to enforce such remedies will not adversely affect the interests of the Bondholders in any material way.

(d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale or disposition transferred from any Fund or Account, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

Certification Covenants

In the event that a deficiency in the Debt Service Reserve Fund is projected in the annual budget of the Bond Bank, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected for its annual budget and regardless of the time at which such deficiency occurs or is projected to occur, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency or projected deficiency in the Debt Service Reserve Fund to the State General Assembly.

Budgets

The Bond Bank will adopt and file with the Trustee and appropriate State officials under the Act an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

Defeasance and Discharge of Lien of Indenture

If payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable

instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and mail notice of such redemption pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when payment of the principal of that Bond, plus interest to its due date, either (a) has been made or has been caused to be made in accordance with its terms, or (b) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) noncallable or non-prepayable Defeasance Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will ensure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and Defeasance Obligations, and all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

Events of Default and Remedies

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) The Bond Bank defaults in the due and punctual payment of any interest on any Bond;
- (b) The Bond Bank defaults in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof or any date fixed for redemption;
- (c) The Bond Bank defaults in carrying out any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within thirty (30) days after receipt of notice, all in accordance with the Indenture;
- (d) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within thirty (30) days after receipt of notice, all in accordance with the Indenture;
- (e) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (f) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within thirty (30) days after such filing;
- (g) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;
- (h) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent, bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than thirty (30) days;
- (i) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within thirty (30) days after the end of the Fiscal Year during which a deficiency occurs; or
- (j) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence and continuance of an Event of Default, the Trustee will notify the Series 2003 D Bond Insurer and the Owners of Outstanding Bonds of such Event of Default by registered or certified mail will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under, or by reason of, the Qualified Obligations;

(b) The Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the Owners of the Bonds, and may take such action with respect to the Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Qualified Obligations.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer; and

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act; provided, however, for so long as the Series 2003 D Financial Guaranty Insurance Policy is in full force and effect, the Trustee may, with the prior written consent of the Series 2003 D Bond Insurer, and shall, at the direction of the Series 2003 D Bond Insurer or twenty five percent (25%) of the holders of the Series 2003 D Bonds with the consent of the Series 2003 D Bond Insurer, by written notice to the Bond Bank, the Attorney General of the State and the Series 2003 D Bond Insurer, declare the principal of the Series 2003 D Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2003 D Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or the Series 2003 D Bonds to the contrary notwithstanding

If an Event of Default has occurred, if requested to do so by the Owners of twenty-five percent (25%) or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders.

Subject to the rights of the Series 2003 D Bond Insurer described below in "Rights of the Series 2003 D Bond Insurer Upon Default," the Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waivers of Events of Default

Subject to the rights of the Series 2003 D Bond Insurer described below in "Rights of the Series 2003 D Bond Insurer Upon Default," the Trustee, at its discretion, may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding in the case of default in the payment of principal or interest on the Bonds or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default

have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default is discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former respective positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

Subject to the rights of the Series 2003 D Bond Insurer described below in “Rights of the Series 2003 D Bond Insurer Upon Default,” no Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) an Event of Default has occurred and the Owners of not less than twenty-five (25%) in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (b) such Owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (c) the Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the Owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any Owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

Rights of the Series 2003 D Bond Insurer upon Default

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default and for so long as the Series 2003 D Financial Guaranty Insurance Policy remains in full force and effect, the Series 2003 D Bond Insurer, acting alone, shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2003 D Bonds or the Trustee for the benefit of the holders of the Series 2003 D Bonds under the Indenture.

Supplemental Indentures

The Bond Bank and the Trustee may, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;
- (c) To subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any supplemental indenture in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any supplemental indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or any other federal or state statute;

(e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee, under the Indenture or the succession of a new registrar and/or paying agent;

(f) To provide for the issuance of each Series of Bonds permitted by the Indenture, other than the Series 2003 D Bonds;

(g) To provide for the refunding of all or a portion of the Bonds;

(h) To amend the Indenture to permit the Bond Bank to comply with any covenants contained in any Supplemental Indenture with respect to compliance with future federal or State tax laws; and

(i) To modify, amend or supplement the Indenture in any manner that does not adversely affect the owners of the Bonds.

With the exception of supplemental indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank or Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that, so long as the Series 2003 D Financial Guaranty Insurance Policy remains in full force and effect, the Series 2003 D Bond Insurer shall have the sole right to consent to any indenture or indentures supplemental hereto for and on behalf of itself and the holders of the Bonds; provided further, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the owners of all then Outstanding Bonds and the Series 2003 D Bond Insurer for so long as the Series 2003 D Financial Guaranty Insurance Policy remains in full force and effect, (a) an extension of a Principal Payment Date, an Interest Payment Date or a redemption date for any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond or change in the rate of interest or redemption premium, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (e) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (f) a reduction in the Reserve Requirement, or (g) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, without the written consent of the Trustee.

DEFINITIONS

The following are definitions of certain terms used in the Official Statement, including its Appendices:

“Accounts” means the accounts created pursuant to the Indenture.

“Act” means the provisions of Indiana Code 5-1.5-1 et seq., as amended from time to time.

“Additional Bonds” means Bonds issued pursuant to Section 2.05 of the Indenture and any Supplemental Indenture.

“Agreement” means the Financial Guaranty Agreement dated June 25, 2003, between the Bond Bank and the Series 2003 D Bond Insurer.

“Authorized Officer” means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

“Bankruptcy Code” means 11 U.S.C. § 101 *et seq.*, as the same may be amended from time to time.

“Bond Bank” means the Indiana Bond Bank, established under the Act as a public body corporate and politic, not a state agency, but an independent public instrumentality of the State exercising essential public functions, or any successor to its functions.

“Bondholder” or “Holder” or “holder of Bonds” or “owner of Bonds” or any similar term means the registered owner of any Bond, including the Bond Bank, and any purchaser of Bonds being held for resale, including the Bond Bank.

“Bond Issuance Expense Account” means the account by that name created by Section 6.02 of the Indenture.

“Bonds”, means the Series 2003 D Bonds and any Additional Bonds issued pursuant to the Indenture and any Supplemental Indenture.

“Capitalized Interest Account” means the account by that name created by Section 6.02 of the Indenture.

“Cash Flow Certificate” means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues and payments.

“Code” means the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003 D Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

“Costs of Issuance” shall mean items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriters’ discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, bond or reserve fund insurance premiums, credit enhancements (including Credit Facilities) or liquidity facility fees, and other costs, charges and fees in connection with the foregoing.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

“Credit Facility” means any letter of credit, revolving credit agreement, liquidity facility, standby bond purchase agreement, surety bond (including a Qualified Surety Bond), insurance policy or other agreement or similar instrument issued by a Credit Provider, which provides for payment of principal or purchase price of, or interest on any Series of Bonds or a portion thereof, or is issued for deposit in the Debt Service Reserve Fund to satisfy all or a portion of the Reserve Requirement.

“Credit Provider” means the issuer of any Credit Facility, and its successor in such capacity and its assigns. To qualify under this Indenture, the Credit Provider providing such Credit Facility shall meet one or more of the following:

(i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Series 2003 D Bonds (without regard to any such Credit Facility);

(ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is at least as high as the rating assigned to the Series 2003 D Bonds by the rating agency or agencies rating the Series 2003 D Bonds (without regard to any such Credit Facility); or

(iii) any entity having the qualifications set forth in the Supplemental Indenture authorizing the issuance of a Series of Bonds.

“DOA” means the Indiana Department of Administration.

“Debt Service Reserve Fund” means the fund by that name created by Section 6.02 of the Indenture.

“Debt Service Reserve Fund Surety Bond” means the Qualified Surety Bond issued by MBIA Insurance Corporation to fully fund the Reserve Requirement.

“Debt Service Reserve Fund Reimbursement Obligation” means any obligation to reimburse the Credit Provider of any Qualified Surety Bond for any payment made under such Qualified Surety Bond or any other obligation to repay any amounts (including but not limited to, fees or additional interest) to the Credit Provider, including specifically all amounts owing pursuant to the Agreement.

“Default” means an event or condition, the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

“Defeasance Obligations” means (a) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGS”); (b) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; (c) the interest component of Resolution Funding Corp. strips, in book entry form, which have been stripped by request to the Federal Reserve Bank of New York; (d) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P or, if rated only by S&P, then only such municipal bonds as have been refunded with cash, direct U.S. or U.S. guaranteed obligations, or other AAA rated pre-refunded municipal bonds; or (e) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: U.S. Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration (certificates of beneficial ownership), Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), or U.S. Department of Housing and Urban Development (project notes, local authority bonds, new communities debentures – U.S. government guaranteed debentures, and U.S. public housing notes and bonds – U.S. government guaranteed public housing notes and bonds).

“Depository Company” or “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns, including any surviving, resulting or transferee corporation, or any successor corporation that may be appointed in a manner consistent with the Indenture and shall include any direct or indirect participants of The Depository Trust Company.

“Event of Default” means any occurrence or event specified in the Indenture.

“Fees and Charges” means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Qualified Entity.

“Fiscal Year” means the twelve (12) month period from July 1 through the following June 30.

“Funds” means the funds created pursuant to the Indenture.

“General Account” means the account by that name created by Section 6.02 of the Indenture.

“General Fund” means the fund by that name created by Section 6.02 the Indenture.

“Indenture” means the Trust Indenture, dated as of June 1, 2003, between the Bond Bank and Fifth Third Bank, Indiana, and all supplements and amendments thereto entered into pursuant thereto.

“Interest Payment Date” means any date on which interest is payable on the Bonds.

“Investment Earnings” means earnings and profits (after consideration of any accrued interest paid and/or amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture.

“Investment Securities” means any of the following:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States Treasury.

B. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

- C. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
1. Federal Home Loan Bank System
Senior debt obligations
 2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
 3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
 4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
 5. Resolution Funding Corp. (REFCORP) obligations
 6. Farm Credit System
Consolidated systemwide bonds and notes
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G, AAA-m, or AA-m and if rated by Moody's rated Aaa, Aa1, or Aa2.
- E. Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations, or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts, or money market deposits which are fully insured by Federal Deposit Insurance Corporation, including BIF and SAIF.
- G. Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements, and Reserve Fund Put Agreements acceptable to the Bond Insurer.
- H. Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by Standard & Poor's.
- I. Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by Standard & Poor's.
- K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Bond Insurer.

- (1) Repurchase agreements must be between the municipal entity and a dealer bank or securities firm
 - (a) Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or
 - (b) Banks rated "A" or above by Standard & Poor's and Moody's.
- (2) The written repurchase contract must include the following:
 - (a) Securities which are acceptable for transfer are:
 - (i) Direct U.S. government obligations, or
 - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - (b) The term of the repurchase agreement may be up to 30 days.
 - (c) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral), or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - (d) Valuation of collateral

The securities must be valued weekly, marked-to-market at current market price plus accrued interest

The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
- (3) Legal opinion which must be delivered to the municipal entity:
 - (a) Repurchase Agreement meets guidelines under state law for legal investment of public funds.

"Lease Agreement" means the Agreement between the Series 2003 D Qualified Entity and the Management Corporation for the Project dated as of June 1, 2003.

"Management Corporation" means the Columbus Learning Center Management Corporation, an Indiana not-for-profit corporation.

“Notice Address” means, with respect to the Series 2003 D Qualified Entity, the Series 2003 D Qualified Entity’s address given in connection with the sale of its Series 2003 D Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank, the Trustee and the Series 2003 D Bond Insurer:

Bond Bank:	Indiana Bond Bank Attention: Executive Director 2980 Market Tower 10 West Market Street Indianapolis, IN 46204
Trustee:	Fifth Third Bank, Indiana Attention: Corporate Trust Services 251 North Illinois Street Mail Drop #861011 Indianapolis, IN 46204
Series 2003 D Bond Insurer:	MBIA Insurance Corporation 113 King Street Armonk, NY 10504 Attention: Insured Portfolio Management

“Opinion of Bond Counsel” means an opinion of Counsel by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law and which is acceptable to the Bond Bank and the Trustee.

“Opinion of Counsel” means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, including Bonds held by the Bond Bank, except:

- (1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (2) Bonds deemed paid under the Indenture; and
- (3) Bonds in lieu of which other Bonds have been authenticated under the Indenture or under any Supplemental Indenture.

“Participating Entities” means the Trustees of Indiana University, the Trustees of Purdue University and Ivy Tech State College.

“Principal Payment Date” means the maturity date or the mandatory sinking fund redemption date of any Bond.

“Program” means the program for purchasing Qualified Obligations by the Bond Bank pursuant to the Act.

“Program Expenses” means all of the Bond Bank’s expenses in carrying out and administering the Program pursuant to this Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, credit enhancement fees, liquidity facility fees, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Trustee costs of verifications required under Section 6.12 of the Indenture, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, any other costs permitted under the Act, and rebate payments, if any, which in the Opinion of Bond Counsel are required to be made

under the Code in order to preserve or protect the exclusion from gross income for federal tax purposes of interest on the Bonds, all to the extent property allocable to the Program.

“Project” means the Columbus Learning Center project, as defined in the Series 2003 D Qualified Obligations.

“Purchase Account” means the account by that name created by Section 6.02 of the Indenture.

“Purchase Agreement” means the Qualified Entity Purchase Agreement between the Bond Bank and the Series 2003 D Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank the form of which was approved at the meeting of the Board of Directors of the Bond Bank on May 13, 2003.

“Purchase Contract” means the Bond Purchase Agreement, for the Series 2003 D Bonds between the Bond Bank and the Representative, on behalf of the Underwriters, dated June 19, 2003, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on May 13, 2003.

“Qualified Entity” means an entity defined in IC 5-1.5-1-8, as amended from time to time, including the Series 2003 D Qualified Entity.

“Qualified Entity Bond Ordinance” means the ordinance adopted by the Series 2003 D Qualified Entity authorizing the issuance of the Series 2003 D Qualified Obligations.

“Qualified Obligation” means a “Security” (as that term is defined in the Act), including the Series 2003 D Qualified Obligations, issued by the Series 2003 D Qualified Entity which has been acquired by the Bond Bank pursuant to the Indenture.

“Qualified Obligation Interest Payment” means that portion of a Qualified Obligation Payment which represents the interest due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Payment” means the amounts paid or required to be paid, from time to time, for principal and interest on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Principal Payment” means that portion of a Qualified Obligation Payment which represents the principal due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Surety Bond” means a surety bond issued by an insurance company rated in the highest rating category by S & P’s and Moody’s and acceptable to the Series 2003 D Bond Insurer.

“Rebate Fund” means the fund by that name created by Section 6.02 of the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding the month of such Interest Payment Date, or such other day designated in any Supplemental Indenture.

“Redemption Account” means the account by that name created by Section 6.02 of the Indenture.

“Redemption Price” means, with respect to any Bond, the principal amount of the Bond, plus the applicable premium, if any, payable upon redemption of such Bond prior to maturity.

“Refunding Bonds” means Bonds issued pursuant to Section 2.06 the Indenture and any Supplemental Indenture.

“Representative” means, with regard to the Series 2003 D Bonds, City Securities Corporation.

“Reserve Requirement” means the amount required to be on deposit in the Debt Service Reserve Fund, which is an amount equal to the least of (i) the maximum annual debt service on the Bonds, (ii) ten percent (10%) of the original stated principal amount of the Bonds, or (iii) one hundred twenty-five percent (125%) of average annual debt service on the Bonds, which at the time of issuance of the Series 2003 D Bonds means an amount equal to \$2,531,875.00.

“Revenues” means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all Qualified Obligation Payments.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, or any successor thereof.

“Series of Bonds” or “Bonds of a Series” or “Series” or words of similar meaning means any Series of Bonds authorized by the Indenture or by a Supplemental Indenture.

“Series 2003 D Financial Guaranty Insurance Policy” means the insurance policy issued by the Series 2003 D Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2003 D Bonds when due.

“Series 2003 D Bond Insurer” means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

“Series 2003 D Bonds” means the Indiana Bond Bank Special Program Bonds, Series 2003 D (Columbus Learning Center Project) issued pursuant to the Indenture.

“Series 2003 D Qualified Entity” means the City of Columbus, Indiana, on behalf of the Board of Aviation Commissioners of the City of Columbus, Indiana.

“Series 2003 D Qualified Obligations” means the City of Columbus, Indiana, Lease Rental Revenue Bonds, Series 2003 (Columbus Learning Center Project).

“State” means the State of Indiana.

“Sublease Agreement” means the Sublease Agreement between the Management Corporation and DOA for the Project dated as of June 1, 2003.

“Supplemental Indenture” means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

“Trustee” means initially, Fifth Third Bank, Indiana, an Indiana banking association or any successor thereto under the Indenture.

“Trust Estate” means the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clause of the Indenture,

“Underwriters” mean with regard to the Series 2003 D Bonds, those parties identified in Exhibit B of the Purchase Contract.

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Assistant Secretary

SPECIMAN DEBT SERVICE RESERVE FUND SURETY BOND**DEBT SERVICE RESERVE
SURETY BOND****MBIA Insurance Corporation
Armonk, New York 10504**

Surety Bond No. [POLICY NO.]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

11. This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH,YEAR].

MBIA INSURANCE CORPORATION

President

Assistant Secretary

SB-DSRF-9-[STATE CODE]

4/95

EXHIBIT A

Surety Bond No. [POLICY NO.]

<u>Bond Year</u>		<u>Maximum Annual Debt Service</u>
20 to 20	\$	
20 to 20	\$	
20 to 20	\$	

DEMAND FOR PAYMENT

_____, 20__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _____ (the "Due Date") in an amount equal to \$_____ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is \$_____.

(c) The amounts legally available to the Paying Agent on the Due Date will be \$_____ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: _____

[Paying Agent's Account]

[PAYING AGENT]

By _____

Its _____

NOTICE OF REINSTATEMENT

_____, 20__

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$ _____.

MBIA Insurance Corporation

President

Attest: _____
Assistant Secretary

791927

